

February 11, 2014

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: An amended application by Newfoundland and Labrador Hydro pursuant to Section 70 and 75 of the Public Utilities Act, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

Please find enclosed the original and 12 copies of Hydro's Amended Application for Interim Rates in this matter, amending its November 18, 2013 Application. Hydro hereby withdraws its Supplemental Interim Rates Application filed with the Board on January 17, 2014.

For easy reference, the present filing includes all documents that were filed in the November 18, 2013 Interim Rates Application under Tab 1. Tab 2 contains the Amended Interim Rates Application, amended Rates Schedules and RSP rules, and additional evidence. The changes in the enclosed Amended Application from the original Interim Rates Application are shown in the usual manner for revised filings of documents, that is, new text is shown in underlined text and deleted text is shown as strikethrough text. Tab 3 contains a clean version of all the documents related to the Amended Interim Rates Application and the Interim Rates Evidence filed as part of the November 18, 2013 Application.

The Evidence related to Hydro's Amended Interim Rates Application found in Tab 2 is new with this filing and is to be read as additional to the evidence filed with the November 18, 2013 Application and supports the changes that are found in the Amended Application. Schedule C to the Amended Application, Hydro's present Rural rates which Hydro is proposing to be approved on interim bases, is also new in this filing.

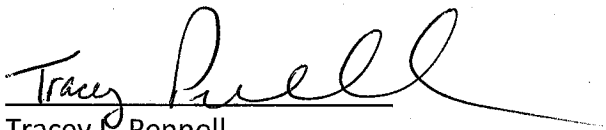
Please note that in the Amended Application, Hydro is seeking:

- that present rates for all Hydro Rural Customers be approved on an interim basis;
- the approval of a deferral mechanism for the difference between the revenues received by Hydro from January 1, 2014 (or such later date that rates are made interim for the respective class) until such time that final rates are approved;
- changes to the Rate Stabilization Plan (RSP) Rules to use the Proposed 2013 Test Year for RSP purposes; and
- approval that amounts collected by Hydro through NP's current Fuel Price Projection rider of 1.634 cents/kWh be segregated within the RSP until a further order of the Board on the matter.

Please contact the undersigned should you have any questions.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Tracey L. Pennell
Legal Counsel

TLP/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O'Reilly, Q.C. – Cox & Palmer
Stephanie Kearns – Olthuis, Kleer, Townshend LLP

Thomas Johnson – Consumer Advocate
Yvonne Jones, MP Labrador
Ed Heard, Q.C. – Miller & Hearn

Tab 1

November 18, 2013

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: An application by Newfoundland and Labrador Hydro ("Hydro"), pursuant to Sections 70 and 75 of the Public Utilities Act (the "Act"), for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

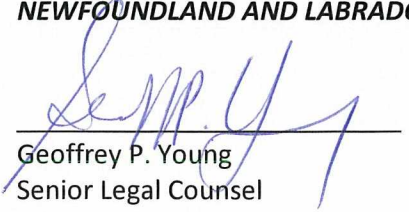
On July 30, 2013, Hydro filed a General Rate Application with the Board. It appears the Board will not reasonably be in a position to make the necessary determinations on the 2013 General Rate Application in a time which will permit Hydro to implement changes in customer rates, with effect from January 1, 2014. If Hydro is unable to implement a change in rates in a timely manner, it will be deprived of the opportunity to earn a just and reasonable return on rate base for 2014 as required by section 80 of the Act.

Hydro is now applying to the Board for an interim Order pursuant to sections 70 and 75 of the Act, approving the schedule of rates, tolls and charges as set out in the application, to be effective on and after January 1, 2014, until superseded by a final order of the Board in a matter of the General Rate Application.

Please find enclosed the original and eight copies of the above-noted application, evidence and plus supporting affidavit. Please contact the undersigned should additional copies be required.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales

Thomas Johnson – Consumer Advocate
Dean Porter – Poole Althouse

IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the *Act*) and regulations thereunder;

AND IN THE MATTER OF an application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the *Act*, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

TO: The Board of Commissioners of Public Utilities (the Board)

THE APPLICATION OF NEWFOUNDLAND AND LABRADOR HYDRO (Hydro) STATES THAT:

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act* and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Section 70 of the *Act* provides that a public utility shall not charge, demand, collect or receive compensation for a service performed by it until the Board has approved a schedule of rates, tolls and charges for the services provided by the public utility.
3. On July 30, 2013, Hydro filed a General Rate Application (GRA) with the Board.

4. The GRA proposes, amongst other things, that the Board approve a change in rates to Hydro's customers, based upon the 2013 Test Year, effective January 1, 2014, as follows:
 - (a) 2013 Test Year based rates for Newfoundland Power;
 - (b) 2013 Test Year based rates for Island Industrial Customers;
 - (c) 2013 Test Year based rates for government customers in Isolated Systems;
 - (d) Removal of the deferral of the 2007 rate increase for the non-lifeline rates for customers on the Isolated Systems; and
 - (e) Newfoundland Power based rate changes for Hydro's Rural customers on the Island Interconnected, L'Anse au Loup and Isolated Systems.
5. On July 30, 2013 Hydro filed an application with respect to the Rate Stabilization Plan (RSP), based upon direction received from the Government, which proposed, among other things, a phase-in of 2013 GRA-based rates to Industrial Customers.
6. In Orders No. P.U. 26(2013) and P.U. 29(2013) the Board approved certain items relating to the direction from Government but did not approve the RSP rules related to the phase-in of rates for the Industrial Customers.

7. By Order No. P.U. 28(2013), the Board established, amongst other things, a schedule for the 2013 General Rate Application which provides for the commencement of public hearings of the Application on February 11, 2014.

8. The Board will not reasonably be in a position to make the necessary determinations on the 2013 General Rate Application in a time which will permit Hydro to implement a change in customer rates with effect from January 1, 2014. If Hydro is unable to implement a change in rates in a timely manner, it will be deprived of the opportunity to recover its costs, including a reasonable return on rate base for 2014 as required by Section 80 of the *Act*.

9. Section 75 of the *Act* provides that the Board may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls and charges submitted by a public utility upon the terms and conditions that it may decide. A public hearing of this application is therefore not necessary.

10. As Hydro is applying for interim rates effective January 1, 2014, Hydro is also applying for a change in the fuel price projection for Newfoundland Power. Section D 1 of the RSP rules state that:

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast,

a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

11. Hydro repeats the foregoing and, in the alternative, applies for a deferral and recovery mechanism whereby, commencing January 1, 2014, Hydro would defer any revenue shortfall between existing and approved rates with such shortfall to be recovered from customers over a three-year period commencing when final rates become effective.

12. Hydro now makes application that the Board make:

(a) an interim Order pursuant to Section 75 of the *Act*, approving

(i) the schedule of rates, tolls and charges set out in Schedule A to this Application to be effective on and after January 1, 2014, until superseded by a final order of the Board in the matter of the Application, including a change in the RSP Fuel Price Projection charged to Newfoundland Power calculated in accordance with Appendix F to the evidence filed in support of this Application; and

(ii) Changes to the RSP rules, as set out in Schedule B of this Application to implement the phase-in of Industrial Customer rates, in accordance with direction provided by the Government;

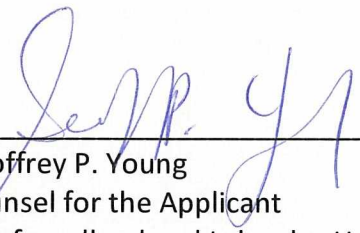
Or,

(b) an Order pursuant to Section 70 of the *Act* approving a deferral and recovery mechanism whereby, commencing January 1, 2014, Hydro would defer any

revenue shortfall between existing and approved rates with such shortfall to be recovered from customers over a three-year period commencing when final rates become effective.

DATED AT St. John's in the Province of Newfoundland and Labrador this 18th day of

November, 2013.



Geoffrey P. Young
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
Telephone: (709) 737-1277
Facsimile: (709) 737-1782

IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the Act) and regulations thereunder;

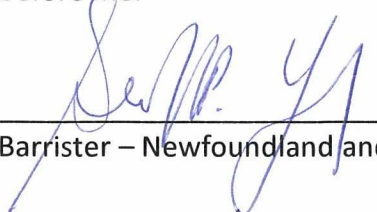
AND IN THE MATTER OF an application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the Act, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

AFFIDAVIT

I, Robert J. Henderson, Professional Engineer, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice-President of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.
2. I have read and understand the foregoing Application.
3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the)
Province of Newfoundland and)
Labrador)
this 18th day of November 2013,)
before me:)


Barrister – Newfoundland and Labrador


Robert J. Henderson

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY (INTERIM)

Availability:

This rate is applicable to service to Newfoundland Power (NP).

Definitions:

"Billing Demand"

In the Months of January through March, billing demand shall be the greater of:

- (a) the highest Native Load less the Generation Credit, beginning in the previous December and ending in the current Month; and
- (b) the Minimum Billing Demand.

In the Months of April through December, billing demand shall be the greater of:

- (a) the Weather-Adjusted Native Load less the Generation Credit, plus the Weather Adjustment True-up; and
- (b) the Minimum Billing Demand.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	84,215
Thermal Generation Credit	<u>35,993</u>
Total Generation Credit	120,208

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, Newfoundland Power will be provided an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

“Maximum Native Load” means the maximum Native Load of NP in the four-Month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

“Native Load” is the sum of:

- (a) the amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen minute period thereafter; and
- (b) the total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load plus (Weather Adjustment, rounded to 3 decimal places, x 1000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- (a) the greater of:
 - the Weather Adjusted Native Load less the Generation Credit, times three; and
 - the Minimum Billing Demand, times three; and
- (b) the sum of the actual billed demands in the Months of January, February and March of the current year.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

Monthly Rates:

Billing Demand Charge:

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

\$9.12 per kW of billing demand

Energy Charge:

First 280,000,000 kilowatt-hours*@ 2.786 ¢ per kWh

All excess kilowatt-hours*@ 10.400 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by

Corner Brook Pulp and Paper Limited*@ 1.248 ¢ per kWh

RSP Adjustment:

Current Plan@ (1.101) ¢ per kWh

Fuel Rider@ (0.125) ¢ per kWh

Total RSP Adjustment – All kilowatt-hours..... @ (1.226) ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses:

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering, shall be applied to the metered demand.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

Weather Adjustment: This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- (a) Weather adjustment shall be undertaken for NP's actual Maximum Native Load.
- (b) Weather adjustment shall be derived from Hydro's NP native peak demand model.
- (c) By September 30th of each year, Hydro shall provide NP with updated weather adjustment coefficient incorporating the latest year of actuals.
- (d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weight regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, Environment Canada's weather data and/or wind chill formulation.
- (e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition on underlying weather data.
- (f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of Weather-Adjusted Native Load by April 5th of each year.

General:

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach mutual agreement, the billing will be based on Hydro's best estimate.

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – FIRM (INTERIM)

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$9.13 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate* @ 4.782 ¢ per kWh

RSP Adjustment @ 0.00 ¢ per kWh

Net Energy Rate @ 4.782 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Specifically Assigned Charges:

The table below contains the additional specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$944,954
North Atlantic Refining Limited	\$101,748
Teck Resources Limited	\$215,009
Vale Newfoundland and Labrador Inc	\$533,724

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM (INTERIM) (continued)

Phase-In Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.68 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate*@ 3.676 ¢ per kWh

RSP Adjustment @ 0.00 ¢ per kWh**

**** Exceptions:**

Teck Resources Limited RSP Adjustment@ (1.111) ¢ per kWh

Net Energy Rate@ 3.676 ¢ per kWh***

***** Exceptions:**

Teck Resources Limited Net Energy Rate@ 2.565 ¢ per kWh

Specifically Assigned Charges:

The table below contains the additional specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Teck Resources Limited	\$ 186,169
Vale Newfoundland and Labrador Inc	\$ 0

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – NON-FIRM (INTERIM)

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2012 (3.36%)

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 612 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2G

DOMESTIC DIESEL

GOVERNMENT DEPARTMENTS (INTERIM)

Availability:

For Service to Government Departments throughout the Island and Labrador diesel service areas of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate:

Basic Customer Charge\$53.50 per month

Energy Charge:

All kilowatt-hours@ 91.621 ¢ per kWh

Minimum Monthly Charge.....\$53.50

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1G

GENERAL SERVICE DIESEL 0-10 kW

GOVERNMENT DEPARTMENTS (INTERIM) (continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge \$58.56 per month

Energy Charge:

All kilowatt-hours @ 84.673¢ per kWh

Minimum Monthly Charge..... \$58.56

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2G

GENERAL SERVICE DIESEL OVER 10 kW

GOVERNMENT DEPARTMENTS (INTERIM) (continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge:\$75.06 per month

Demand Charge:

The maximum demand registered on the meter in the current month..... @ \$66.59 per kW

Energy Charge:

All kilowatt-hours.....@ 64.071 ¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – NON-FIRM (INTERIM)

Availability:

For Street and Area Lighting Service to Government Departments throughout the Island and Labrador Diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$85.32
HIGH PRESSURE SODIUM¹	
100W (8,600 lumens)	57.31
150W (14,400 lumens)	85.32

¹ Only High Pressure Sodium fixtures are available for all new installations and replacements.

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro) is established for Hydro's Utility customer, Newfoundland Power, and Island Industrial customers to smooth rate impacts for variations between actual results and Test Year Cost of Service estimates for:

- hydraulic production;
- No. 6 fuel cost used at Hydro's Holyrood generating station;
- customer load (Utility and Island Industrial); and
- rural rates.

The formulae used to calculate the Plan's activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

Section A: Hydraulic Production Variation

1. Activity:

Actual monthly production is compared with the Test Year Cost of Service Study in accordance with the following formula:

$$\{(A - B) \div C\} \times D$$

Where:

A = Test Year Cost of Service Net Hydraulic Production (kWh)

B = Actual Net Hydraulic Production (kWh)

C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)

D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

2. Financing:

Each month, financing charges, using Hydro's approved Test Year weighted average cost of capital, will be calculated on the balance.

3. Hydraulic Variation Customer Assignment:

Customer assignment of hydraulic variations will be performed annually as follows:

$$(E \times 25\%) + F$$

Where:

E = Hydraulic Variation Account Balance as of December 31, excluding financing charges

F = Financing charges accumulated to December 31

The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.

4. Customer Allocation:

The annual customer assignment will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances respectively as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration

1. Activity

1.1 Fuel Cost Variations

This is based on the consumption of No. 6 Fuel at the Holyrood Generating Station:

$$(G - D) \times H$$

Where:

D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

G = Monthly Actual Average No. 6 Fuel Cost (\$Can /bbl.)

H = Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)

1.2 Load Variations

Firm: Firm load variation is comprised of fuel and revenue components. The load variation is determined by calculating the difference between actual monthly sales and the Test Year Cost of service Study sales, and the resulting variance in No. 6 fuel costs and sales revenues. It is calculated separately for Newfoundland Power firm sales and Industrial firm sales, in accordance with the following formula:

$$(I - J) \times \{(D \div C) - K\}$$

Where:

C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)

D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

I = Actual Sales, by customer class (kWh)

J = Test Year Cost of Service Sales, by customer class (kWh)

K = Firm energy rate, by customer class

Secondary: Secondary load variation is based on the revenue variation for Utility Firm-Up Secondary energy sales compared with the Test Year Cost of Service Study, in accordance with the following formula:

$$(J - I) \times L$$

Where:

I = Actual Sales (kWh)

J = Test Year Cost of Service Sales (kWh)

L = Secondary Energy Firming Up Charge

1.3 Rural Rate Alteration

(a) Newfoundland Power Rate Change Impacts:

This component is calculated for Hydro's rural customers whose rates are directly or indirectly impacted by Newfoundland Power's rate changes, with the following formula:

$$(M - N) \times O$$

Where:

M = Cost of Service rate ¹

N = Existing rate

O = Actual Units (kWh, bills, billing demand)

(b) Rural Labrador Interconnected Automatic Rate Adjustments:

This component reflects the impact of the automatic rate adjustments for Hydro's rural customers on the Labrador Interconnected system, which arise from the phase-in of the application of the credit from secondary energy sales to CFB Goose Bay to the rural deficit.

Monthly adjustments will be subject to revision when a new Test Year Cost of Service is approved by the Public Utilities Board for Hydro. The amount of the automatic rate adjustment is (\$98,295.)

2. Monthly Customer Allocation: Load and Fuel Activity

Each month, the load variation will be held in a separate account in the Plan, until its disposition is

¹

- Hydro's schedule of rates for its rural customers not affected by the December 6th, 2006 Government directive.
- For customers affected by the December 6th, 2006 Government directive, the Cost of Service rate equals the phased-in 2007 Forecast Cost of Service Rates for diesel rate classes 1.2D, 2.1D and 2.2D.
- No Rural Rate Alternation will arise from the phase-in of 2007 Forecast Cost of Service rates for the customers affected by the December 6th, 2006 Government directive.

ordered by the Board of Commissioners of Public Utilities.

Each month, the year-to-date total for fuel price variation will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The year-to-date portion of the fuel price variation which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The current month's activity for Newfoundland Power, Island Industrials and regulated Labrador Interconnected customers will be calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month. The current month's activity allocated to regulated Labrador Interconnected customers will be removed from the Plan and written off to Hydro's net income (loss).

3. Monthly Customer Allocation: Rural Rate Alteration Activity

Each month, the rural rate alteration will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the Plan and written off to Hydro's net income (loss).

4. Plan Balances

Separate plan balances for Newfoundland Power, the Island Industrial customer class and the segregated load variation will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

Section C: Fuel Price Projection

A fuel price projection will be calculated to anticipate forecast fuel price changes and to determine fuel riders for the rate adjustments. For industrial customers, this will occur in October each year, for inclusion with the RSP adjustment effective January 1. For Newfoundland Power, this will occur in April each year, for inclusion with the RSP adjustment effective July 1.

1. Industrial Fuel Price Projection:

In October each year, a fuel price projection for the following January to December shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(S - T) \times U] - V \times W$$

Where:

- S = the September month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following January to December
T = Hydro's average Test Year contract discount (US \$/bbl)
U = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of September
V = average Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year.

The industrial customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of September and is the ratio of Industrial Firm invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 10th working day of October.

2. Newfoundland Power Fuel Price Projection:

In April each year, a fuel price projection for the following July to June shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(X - T) \times Y] - V \times W$$

Where:

- T = Hydro's average Test Year contract discount (US \$/bbl)
V = average Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year. For the 2007 Test Year, test year barrels are reduced by 589,208 based on the reduction in forecast Island Industrial customer load caused by the shutdown of one of the paper machines at Corner Brook Pulp and Paper and the shutdown of Abitibi Consolidated (Grand Falls).
X = the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following July to December, and the most recent long-term PIRA Energy Group average annual forecast for No. 6 fuel prices at New York Harbour for the following January to June.
Y = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of March.

The Newfoundland Power customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of March and is the ratio of Newfoundland Power Firm and Firmed-Up Secondary invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy. For the 12 months-to-date (April 2008 - March 2009) Industrial Firm invoiced energy is reduced by 87,991,636 kWh to reflect the forecast reduction in Abitibi Consolidated (Grand Falls) load.

The amount of the forecast fuel price change, in Canadian dollars, and the details of the resulting fuel rider applied to the adjustment rate will be reported to Newfoundland Power, industrial customers, and the Public Utilities Board, by the 10th working day of April.

Section D: Adjustment

1. Newfoundland Power

As of March 31 each year, Newfoundland Power's adjustment rate for the 12-month period commencing the following July 1 is determined as the rate per kWh which is projected to collect:

Newfoundland Power March 31 Balance

less projected recovery / repayment of the balance for the following three months (if any),
 estimated using the energy sales (kWh) for April, May and June from the previous year

plus forecast financing charges to the end of the 12-month recovery period (i.e., June in the
 following calendar year),

divided by the 12-months-to-date firm plus firmed-up secondary kWh sales to the end of March.

A fuel rider shall be added to the above adjustment rate, based on the Newfoundland Power Fuel Price Projection amount (as per Section C.2 above) divided by 12-months-to-date kWh sales to the end of March.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

2. Island Industrial Customers

As of December 31 each year, the adjustment rate for industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance

plus forecast financing charges to the end of the following calendar year,

divided by 12-months-to-date kWh sales to the end of December.

A fuel rider shall be added to the above adjustment rate, based on the Industrial Fuel Price Projection (as per Section C.1 above) amount divided by 12-months-to-date kWh sales to the end of December.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values. Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

Section E: Historical Plan Balances:

1. August 2002 Balance:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at August 2002 will be recovered over a 5-year collection period, with adjustment rates established each December 31, commencing December 31, 2002. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year annual weighted average cost of capital.

Newfoundland Power

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$A = (B - C + D) \div E \div F$$

Where:

- A = adjustment rate (\$ per kWh) for the 12-month period commencing the following July 1.
- B = Balance December 31
- C = projected recovery to the following June 30 (if any), estimated using the most recent energy sales (kWh) for the period January to June.
- D = projected financing charges to the following June 30
- E = number of years remaining in the adjustment period
- F = energy sales (kWh) (firm and firmed-up secondary) to Newfoundland Power for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

Island Industrial Customers, excluding Teck Cominco Limited [Exempted pursuant to Order No. P.U.1(2007)]

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$G = H \div I \div J$$

Where:

- G = adjustment rate (\$ per kWh) for the 12-month period commencing the following January 1.
H = Balance December 31
I = number of years remaining in the adjustment period
J = firm energy sales (kWh) to Industrial Customers, excluding sales to Teck Cominco Limited, for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

2. RSP Balance, December 31, 2003:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at December 31, 2003 will be consolidated with the outstanding August 2002 customer balances as of December 31, 2003, and will be included with the Newfoundland Power and Island Industrial customer balances respectively for rate-setting purposes as of December 31, 2003.

Section F: RSP Surplus:

1. August 31, 2013 Balance:

The net load variation for Newfoundland Power and the Industrial Customers from January 1, 2007 to August 31, 2013, including financing (the RSP Surplus), will be removed from the respective customer class balance, and allocated based upon direction provided by Government in Orders in Council OC2013-089 and OC2013-207. The balances which remain after this amount is removed will form the adjusted August 31, 2013 current plan balances for each customer class.

The Industrial Customer class allocated amount will be used, firstly, to reduce the Industrial Customer class adjusted August 31, 2013 RSP balance to zero. The remaining Industrial Customer class allocated amount will be segregated until its disposition is ordered by the Board of Commissioners of Public Utilities.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.111) ¢ per kWh, approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013), shall be segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

The Newfoundland Power allocated amount of the RSP Surplus will be segregated held until such time as its disposition occurs in accordance with an Order of the Board of Commissioners of Public Utilities through a refund in accordance with Order in Council OC2013-089.

2. Plan Balances

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

3. Island Industrial Customer RSP Surplus Balance:

The RSP Surplus balance allocated to the Industrial Customer class will be used to fund a phase-in of new Industrial Customer base rates effective September 1, 2013 using monthly adjustments determined as follows:

3.1 Island Industrial Customers excluding Teck Resources

The monthly adjustment for each month from September 1, 2013 to August 31, 2015 will be determined for each billing component (demand, energy and specifically assigned charge) for each Industrial Customer, except Teck Resources, as follows:

$$A = (B - C) \times D$$

Where:

A = Monthly RSP Adjustment

B = Approved Island Industrial Customer base rate

C = Phase-In Industrial Customer rate

D = Actual monthly Industrial Customer billing units

Phase-In Industrial Customer Rates – September 1, 2013 to August 31, 2014

The Phase-In Industrial Customer rates will be calculated for each of demand, energy, and each customer's specifically assigned charges. For Industrial Customers, except Teck Resources, the phase-in rates for the twelve months commencing September 1, 2013 will be the base rates approved in Hydro's 2007 Test Year. These rates are:

Demand Charge: \$6.68 per month per kilowatt of billing demand

Firm Energy Charge: Base Rate 3.676 ¢ per kWh

<u>Specifically Assigned Charges:</u>	<u>Annual Amount</u>
<u>Corner Brook Pulp and Paper Limited</u>	<u>\$ 347,167</u>
<u>North Atlantic Refining Limited</u>	<u>\$ 150,976</u>
	<u>\$ 498,143</u>

3.2 Teck Resources

The monthly adjustment for each month commencing September 1, 2013 until final approval of 2013 Test Year base rates will include an RSP credit of (1.111) ¢ per kWh.

Interim Rates Evidence

Newfoundland and Labrador Hydro

November 2013



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1.0 INTRODUCTION

On July 30, 2013, Newfoundland and Labrador Hydro (Hydro) filed its General Rate Application (GRA) requesting new rates effective January 1, 2014. New rates are required since Hydro's forecast rate of return on rate base (RORB) of 6.28%¹ for 2013 is well below Hydro's approved² RORB range of 7.29% to 7.59% and the proposed RORB of 7.83% which incorporates the Government directed Return on Equity of 8.80%.

Since 2006, this regulatory jurisdiction has seen Hydro and Newfoundland Power (NP) make application to the Board of Commissioners of Public Utilities (Board) to earn its allowed rate of return by either of the following means:

- **Interim Order** - Under the Interim Order provision, Section 75. (1)³ of the Newfoundland and Labrador Public Utilities Act, the Board :

"may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls, and charges submitted by a public utility, upon the terms and conditions that it may decide."

- **Regulatory Deferral Mechanism** - The approval of a regulatory deferral mechanism⁴ allows the utility to defer a revenue shortfall between proposed and existing rates until the time of rate implementation, and this deferred amount would then be recovered in future rates. Since 2011, there has been

¹ See NP-NLH-027 Rev 1.

² Order No. P.U. 8(2007).

³ Section 75 of the Newfoundland and Labrador Public Utilities Act is included as Appendix A.

⁴ *Newfoundland and Labrador Hydro v. Newfoundland and Labrador (Board of Commissioners of Public Utilities)*, 2012 NLCA 38, per Green, CJA, [63]: The operation of deferral accounts is permissible under the existing regulatory scheme in this province regardless of whether it might be argued they incidentally have retrospective or retroactive effect. Deferral accounts are utilized in public utility regulation to deal with the effects of uncertain or volatile costs in a manner that ensures that rates are reasonable, not unjustly discriminatory and that the utility earns a just and reasonable return. They permit the recovery or rebate in a subsequent period of any deficiency or excess between forecast and actual costs. Regulatory regimes generally permit the operation of deferral accounts.

1 approval of both a deferred recovery of increased cost of capital and a
2 deferred recovery of increased revenue requirement.

3 As it is now clear that final rates will not be approved by January 1, 2014, in this Application
4 Hydro is requesting that the Board approve implementation of interim rates effective
5 January 1, 2014, based on the GRA filing, for certain of Hydro's customer classes. If the
6 Board does not approve Hydro's interim rates Application, Hydro proposes the deferral of
7 the forecast 2014 revenue shortfall between existing and approved rates, with recovery
8 commencing at the time of the new rate implementation. Hydro's preference is that the
9 Board approve the interim rate Application as it results in a rate decrease for the vast
10 majority of Hydro's customers affected by this Application and it also facilitates the phase-in
11 of Industrial Customers (IC) rates in line with Government direction.

2.0 BACKGROUND

Hydro filed its GRA on July 30, 2013 based on a 2013 Test Year, in accordance with Government directive OC2013-089, as amended and requested new rates effective January 1, 2014. A delay in interim rates implementation beyond the requested January 1, 2014 effective date for new rates results in further deterioration of Hydro's RORB from the proposed 2013 Test Year RORB. Table 1 below shows the decline in RORB from an already low level of 7.29% based on interim rate implementation on January 1, 2014, to a RORB of just 7.00% if interim rates are not effective until March 1, 2014. Hydro's proposed 2013 Test Year RORB is 7.83% with a proposed lower range of 7.58%. This proposed RORB is based upon the return on equity (ROE) determined in the manner set out in Order in Council OC2009-063 which directs the Board to set Hydro's earnings based upon the ROE approved for Newfoundland Power.

Table 1- Rate of Return on Rate Base

2013 Test Year	January 1 Rate Implementation	February 1 Rate Implementation	March 1 Rate Implementation
7.83%	7.29%	7.02%	7.00%

Hydro is seeking an interim order which provides a means whereby its 2014 RORB, though below the proposed 2013 Test Year level, is maintained to the extent achievable in 2014.

1 **3.0 HISTORICAL USE OF INTERIM RATES**

2 **3.1 Hydro's 2006 Interim Rates Application**

3 As previously stated, Section 75 of The Public Utilities Act has a provision whereby a utility
4 may seek to earn its allowed rate of return by means of an interim order of the Board prior
5 to the completion of the full regulatory process. During its 2006 GRA, on December 6, 2006,
6 Hydro filed a revised General Rate Application seeking approval of final rates, or in the
7 alternative, interim rates effective January 1, 2007. This filing was made following
8 settlement negotiations and agreement among the Parties on a number of issues. In Order
9 No. P.U. 41(2006), the Board recited the then existing circumstances and legislative
10 guidance leading to its decision to grant approval of interim rates:

11 *"WHEREAS a hearing has not been held in relation to Hydro's General Rate*
12 *Application or Revised Application; and*

13 *WHEREAS the Board has considered Hydro's request for a final rates Order to be*
14 *effective January 1, 2007 and has determined that it will not approve final rates*
15 *until fully testing the proposed rates, which may involve a public hearing or other*
16 *process; and*

17 *WHEREAS section 75 of the Act provides that the Board may make an interim*
18 *order unilaterally and without public hearing or notice, approving with or without*
19 *modification a schedule of rates, tolls and charges submitted by a public utility*
20 *upon the terms and conditions that it may decide; and ...*

21 *WHEREAS if, after a full review of Hydro's Revised Application, it is determined*
22 *that excess revenue has been earned by Hydro as a result of the interim Order the*
23 *Board may order, pursuant to Section 75(3) of the Act, that customers of Hydro*
24 *receive a refund; and*

25 *WHEREAS the Board is satisfied that granting approval of interim rates for*
26 *January 1, 2007 is appropriate and reasonable in the circumstances..."*

1 The circumstances noted above relating to (i) a hearing not yet being held and (ii) proposed
2 rates not being tested, are conditions that exist currently. The Board, however, at that
3 time, acknowledging that it may make an interim order unilaterally and that customers
4 would receive a refund of any excess revenue, ordered interim rates effective January 1,
5 2007. A final Order of the Board, P.U. 8(2007), was issued on April 12, 2007.

6

7 **3.2 Newfoundland Power's 2007 Interim Rates Application**

8 On December 11, 2007, NP filed an application for interim rates effective January 1, 2008.
9 The application was filed on the basis of the uncertainty of the timing of the release of the
10 Board's final Order. Based on the approval of final rates in Order No. P.U. 32(2007) on
11 December 19, 2007, the Board stated that the interim rate application was no longer
12 required.

13

14 **3.3 Newfoundland Power's 2009 Interim Rates Application**

15 On November 20, 2009, NP filed an application for interim rates effective January 1, 2010.
16 The application was filed on the basis of the uncertainty of the timing of the issuance of the
17 Board's final Order and the potential impacts on NP's opportunity to earn a just and
18 reasonable return. Based on the approval of final rates in Order No. P.U. 46(2009) on
19 December 24, 2009, the interim rate application was withdrawn.

1 **4.0 HISTORICAL USE OF DEFERRAL AND RECOVERY MECHANISM**

2 **4.1 Newfoundland Power's 2012 Cost of Capital Application**

3 In this regulatory jurisdiction there has also been the use of regulatory deferral and
4 recovery mechanisms. On March 30, 2012, NP filed an application proposing that the Board
5 approve, among other things, a just and reasonable return on rate base for 2012. In its
6 Order No. P.U. 17(2012) dated June 15, 2012, the Board approved the deferred recovery of
7 the difference between the then existing return on common equity of 8.38% and the
8 proposed 8.80% return on common equity for 2012, calculated on the basis of NP's 2010
9 test year costs. The recovery of the additional revenue requirement for 2012 of
10 approximately \$2.5 million was deferred and, in Order No. P.U. 13(2013), was approved for
11 recovery over three years.

12

13 **4.2 Newfoundland Power's 2013 General Rate Application**

14 In its GRA filing on September 14, 2012, NP requested that the Board approve the
15 implementation of a deferral and recovery mechanism whereby NP would be able to earn
16 its full 2013 revenue commencing January 1, 2013. In its application, NP applied for the
17 recovery, over a three-year period, of a forecast 2013 revenue shortfall of \$980,000. This
18 recovery would effectively achieve a rate implementation of January 1, 2013 though rates
19 were forecast to be implemented on March 1, 2013. In Order No. P.U. 13 (2013), the Board
20 approved the deferral and recovery of \$3,965,000. This higher deferral amount resulted
21 from a change in rate implementation from the assumed date of March 1, 2013 in the
22 September 2012 GRA filing, to the actual rate implementation date of July 1, 2013.

1 **5.0 INTERIM RATES REQUEST**

2 On July 30, 2013, Hydro filed its GRA requesting new rates effective January 1, 2014. This
3 Application requests that those rates become effective on that date on an interim basis for
4 all customers, except for those customers on the Labrador Interconnected System. This
5 Application also requests interim approval of the RSP rules, included as Schedule B to the
6 Application, which are necessary to facilitate the funding of the phase in of IC rates from the
7 IC RSP Surplus amount.

8 Hydro requests interim rates in order to have the opportunity to earn a return on rate base
9 that is closer to that which results from the Government directed ROE for the 2013 Test
10 Year. For example, Hydro's forecast 2014 RORB, estimated to be 7.00% if interim rates are
11 not implemented until March 1, 2014, is well below the lower end of the approved range of
12 return of 7.29%.

13 Additionally, based on Hydro's GRA filing, rates for NP customers, and thus Rural Island
14 Interconnected customers, are forecast to decrease by 3.6%⁵. The implementation of
15 interim rates on January 1, 2014 would achieve both an earlier rate decrease for customers
16 as well as a more appropriate return for Hydro.

17 With regard to IC rates, Hydro proposes an increase of 58.9%⁶ effective January 1, 2014.
18 However, based on the Government directives⁷, new IC rates are to be phased in over a
19 three-year period with funding drawn from the Rate Stabilization Plan Surplus. Government
20 directive OC2013-089, as amended, s. 2), directed the Board as follows:

21 *"On August 31, 2013 the Island industrial customers' Rate Stabilization Plan will*
22 *be credited with \$49 million, the estimated Rate Stabilization Plan amount*

⁵ Includes the January 1, 2014 fuel rider adjustment calculated in accordance with Section D. 1 of the RSP rules. As well, this stated decrease is calculated using 2014 forecast billing determinants rather than those used in the 2013 Test Year as was previously the case. Refer also to Appendix B.

⁶ Refer to Appendix B.

⁷ Related Government directives are included in Appendix C.

1 *required to phase-in industrial customers rates, based on Newfoundland and*
2 *Labrador Hydro's General Rate Application."*

3 As stated in response to Request for Information PUB-NLH-7⁸ filed during the 2013 RSP
4 proceeding, the calculation of the amount of \$49 million contemplates that Hydro's
5 proposed GRA rates for IC would come into effect on January 1, 2014.

6 Also on January 1, 2014, the annual IC RSP adjustments which have been frozen since
7 January 1, 2008 are to resume. Government directive OC2013-089, as amended, at Section.
8 5, states as follows:

9 *"...effective January 1, 2014, the Island industrial customers will be subject to*
10 *Rate Stabilization Plan rate changes in accordance with the Board of*
11 *Commissioners of Public Utilities-approved methodology."*

12 In accordance with the rules of the RSP, on October 15, 2013 Hydro filed the Rate
13 Stabilization Plan Fuel Price Projection for IC⁹. In its filing, Hydro provided information on
14 two scenarios regarding IC rate implementation on January 1, 2014. One scenario assumes
15 that existing IC rates remain in place on January 1, 2014, in which case the fuel rider is
16 calculated based on a comparison of the current forecast fuel price of \$104.75/bbl to the
17 2007 Test Year fuel price of \$55.40/bbl. Given the significant increase in fuel prices since
18 2007, such a comparison yields a fuel rider of 14.85 mills/kWh, or an average increase in IC
19 rates estimated at 36.2%. The second scenario assumes that Hydro's proposed rates are
20 approved on an interim basis effective January 1, 2014. It is estimated that the average IC
21 rate increase resulting from the RSP adjustment will be 3.4% thus resulting in a rate
22 increase which is significantly reduced from that which would otherwise occur if interim
23 rates were not implemented.

⁸ Included as Appendix D.

⁹ Included as Appendix E.

- 1 As shown in Table 3¹⁰, if the interim rates Application is approved, all retail customers on
 2 the Island Interconnected System and the L'Anse au Loup System will receive a decrease.

3 **Table 3 – Proposed Rate Changes January 1, 2014**

Rate Class	2014 Increase (Decrease) using 2014 Billing Determinants and NP January 1, 2014 Fuel Rider
ISLAND INTERCONNECTED	
Newfoundland Power (NP) wholesale rate impact	-5.4%
Estimated end customer rate impact	-3.6%
Estimated Rural Customer rate impact	-3.6%
Industrial Customers (IC)	58.9%
ISLAND ISOLATED SYSTEMS	
Domestic	0.6%
General Service 0 - 10 kW	11.7%
General Service Over 10 kW	12.4%
Street and Area Lighting	-3.6%
Government Departments	
General Service 0 - 10 kW	22.0%
General Service Over 10 kW	27.5%
Street and Area Lighting	21.4%
LABRADOR ISOLATED SYSTEMS	
Domestic	0.6%
General Service 0 - 10 kW	11.7%
General Service Over 10 kW	12.4%
Street and Area Lighting	-3.6%
Government Departments	
Domestic	17.7%
General Service 0 - 10 kW	22.0%
General Service Over 10 kW	27.5%
Street and Area Lighting	21.4%
L'ANSE AU LOUP SYSTEM	
Domestic	-3.6%
General Service 0 - 10 kW	-3.6%
General Service Over 10 kW	-3.6%
Street and Area Lighting	-3.6%

¹⁰ Customer rate impacts have been updated to reflect 2014 billing determinants and the January 1, 2014 implementation of the fuel rider for Newfoundland Power. Further details on these two changes are shown in Appendix B.

1 With the exception of some Street and Area Lighting service, customers on the Island and
2 Labrador Isolated Systems will receive an increase. The increase for Domestic and General
3 Service customers, excluding Government Departments, results from an increase that was
4 approved by the Board in 2007 and which has subsequently been subsidized by
5 Government. Increases for Government Departments are a result of these customers being
6 charged rates based on their cost of service in accordance with Board-approved rates
7 policy.

8 Hydro believes that its Application for the implementation of interim rates, effective
9 January 1, 2014, is a reasonable and equitable proposal for the following reasons:

- 10 • Hydro is currently forecasting its 2014 RORB to be below the lower end of its
11 approved range of return on rate base and interim rates approval will provide Hydro
12 the opportunity to earn a return on rate base that is closer to that which results
13 from the Government directed ROE for the 2013 Test Year;
- 14 • The vast majority of retail customers affected by this Application will receive a
15 decrease in their electricity bills effective January 1, 2014;
- 16 • If new base rates for IC are approved on January 1, 2014, as was contemplated in the
17 IC rate phase in directed by Government, it will avoid a significant rate increase as a
18 result of the RSP adjustment; and
- 19 • If it is determined that excess revenue has been earned by Hydro as a result of an
20 interim rates implementation, the Board may order, pursuant to Section 75(3) of the
21 Act, that customers of Hydro receive a refund.

22 Hydro is specifically proposing that the following be approved, on an interim basis:

- 23 • NP base rates based upon Hydro's 2013 GRA;
- 24 • A revised NP fuel price projection based upon Section D of the RSP rules and Hydro's
25 calculation of that revised fuel rider as shown in Appendix F;
- 26 • Industrial Customers' base rates based upon Hydro's 2013 GRA;

- 1 • Industrial Customers' phase-in rates based upon direction received from the
- 2 province;
- 3 • Modification of the RSP rules to enable the drawdown of the IC RSP Surplus and the
- 4 phase in of rates; and
- 5 • Isolated System Government rates based upon Hydro's 2013 GRA.

6 Rates for Hydro's Rural Customers, other than Isolated Government and Labrador
7 Interconnected customers, will be applied for when NP's flow-through rates to its
8 customers are determined. The Industrial Customers RSP rates will be determined and
9 applied for once the December RSP balance is available, in accordance with the existing RSP
10 rules.

11 If the Board chooses to not approve Hydro's Application for interim rates, Hydro proposes
12 that the Board approve the regulatory deferral mechanism outlined in the following section.

1 **6.0 REGULATORY DEFERRAL AND RECOVERY MECHANISM**

2 This Application requests that rates proposed in its July 30, 2013 GRA filing become
3 effective on an interim basis, on January 1, 2014, for all customers except those customers
4 on the Labrador Interconnected System. If the Board chooses to not approve interim rates,
5 Hydro proposes that the Board approve a regulatory deferral and recovery mechanism.

6 Under this mechanism, Hydro proposes that, commencing January 1, 2014, Hydro would
7 defer any revenue shortfall between existing and approved rates for all customer classes,
8 and that such shortfall would be recovered from customers over a three-year period
9 commencing when final rates become effective. Approval of this mechanism would allow
10 Hydro the opportunity to earn a return that is closer to that proposed in its GRA filing. It is
11 pointed out, however, that the regulatory deferral mechanism is not Hydro's preferred
12 option since there are RSP implications that make this option more complex and it would
13 possibly result in a significant IC rate increase on January 1, 2014, preventing a smooth
14 phase in of IC rates.

1 **7.0 CONCLUSION**

2 Hydro's forecast financial performance in 2014 is projected to result in a rate of return on
3 rate base which is below the approved range of return. On this basis, Hydro is proposing
4 that the Board approve interim rates, effective January 1, 2014, for certain of its customer
5 classes. The implementation of interim rates on January 1, 2014 will result in a rate
6 decrease for the vast majority of customers affected by Hydro's Application and will avoid a
7 significant rate increase for IC. Although not Hydro's preferred option due to the potential
8 negative impact on Industrial Customers and the administrative complexity associated with
9 the RSP, Hydro has proposed the use of a regulatory deferral and recovery mechanism as an
10 alternative to achieve the same return for Hydro.

11 The Public Utilities Act, S. 75, empowers the Board to approve interim rates without a public
12 hearing. This legislation also gives the Board the authority to order that any excess revenue
13 earned by Hydro be refunded to customers.

APPENDIX A

Interim order

75. (1) *The board may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls and charges submitted by a public utility, upon the terms and conditions that it may decide.*
- (2) *The schedule of rates, tolls and charges approved under subsection (1) are the only lawful rates, tolls and charges of the public utility until a final order is made by the board under section 70.*
- (3) *The board may order that the excess revenue that was earned as a result of an interim order made under subsection (1) and not confirmed by the board be*
- (a) refunded to the customers of the public utility; or*
 - (b) placed in a reserve fund for the purpose that may be approved by the board.*

APPENDIX B

Rate Class	2014 Increase (Decrease) using 2013 Billing Determinants ⁽¹⁾	2014 Increase (Decrease) using 2014 Billing Determinants ⁽²⁾	2014 Increase (Decrease) using 2014 Billing Determinants and NP January 1, 2014 Fuel Rider ⁽³⁾
ISLAND INTERCONNECTED			
Newfoundland Power (NP) wholesale rate impact	-4.8%	-3.7%	-5.4%
Estimated end customer rate impact	-3.2%	-2.5%	-3.6%
Estimated Rural Customer rate impact	-3.2%	-2.5%	-3.6%
Industrial Customers (IC)	73.1%	58.9%	58.9%
ISLAND ISOLATED SYSTEMS			
Domestic	0.9%	1.7%	0.6%
General Service 0 - 10 kW	11.6%	12.8%	11.7%
General Service Over 10 kW	11.5%	13.5%	12.4%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
Government Departments			
General Service 0 - 10 kW	22.0%	22.0%	22.0%
General Service Over 10 kW	27.5%	27.5%	27.5%
Street and Area Lighting	16.8%	21.4%	21.4%
LABRADOR ISOLATED SYSTEMS			
Domestic ⁽⁴⁾	0.9%	1.7%	0.6%
General Service 0 - 10 kW	11.6%	12.8%	11.7%
General Service Over 10 kW	11.5%	13.5%	12.4%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
Government Departments			
Domestic	17.7%	17.7%	17.7%
General Service 0 - 10 kW	22.0%	22.0%	22.0%
General Service Over 10 kW	27.5%	27.5%	27.5%
Street and Area Lighting	16.8%	21.4%	21.4%
L'ANSE AU LOUP SYSTEM			
Domestic ⁽⁵⁾	-3.2%	-2.5%	-3.6%
General Service 0 - 10 kW	-3.2%	-2.5%	-3.6%
General Service Over 10 kW	-3.2%	-2.5%	-3.6%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
⁽¹⁾ Rate changes quoted in Hydro's GRA filing reflected the % change in rates resulting from the 2013 Test Year and using the related 2013 billing determinants, that is, using the same number of customers, energy consumption and demands as was used in the cost of service and rate design process. This calculation of rate changes reflects a static view of the the effect of the 2013 Test Year with respect to billing determinants.			
⁽²⁾ Given that Hydro's 2014 forecast billing determinants are different based on present 2014 forecasts of number of customers and load, the rate changes shown in this column have been updated to reflect a prospective view of the rates, based on the 2013 Test Year, and as requested by Hydro in its GRA filing.			
⁽³⁾ Includes the January 1, 2014 fuel rider adjustment calculated in accordance with Section D. 1 of the RSP rules.			
⁽⁴⁾ With the annual Northern Strategic Plan subsidy, domestic customers in coastal Labrador pay the equivalent electricity rates as Labrador Interconnected customers for their basic electricity needs. The overall increase for domestic coastal Labrador customers, after the subsidy is considered, will be 5.3%.			
⁽⁵⁾ With the annual Northern Strategic Plan subsidy, domestic customers in the L'Anse au Loup System pay the equivalent electricity rates as Labrador Interconnected customers for their basic electricity needs. The overall decrease for domestic L'Anse au Loup customers, after the subsidy is considered, will be (2.7%).			

APPENDIX C

Orders in Council Database

Order Details

Order Number:

OC2013-089

Order Date:

2013-04-04

Department:

Natural Resources

Authority:

Electrical Power Control Act, 1994

Order Text:

Under the authority of section 5.1 of the Electrical Power Control Act, 1994, the Lieutenant Governor in Council is pleased to direct the Board of Commissioners of Public Utilities that:

- 1) Effective July 1, 2013, Island industrial customer rates will no longer be frozen. Effective on this date rate increases for island industrial customers will be phased in over a three year period, with funding for this phase-in to be drawn from the January 1, 2007 to June 30, 2013 accumulated Load Variation (the Rate Stabilization Plan Surplus) component of the Rate Stabilization Plan and credited to the Island industrial customer Rate Stabilization Plan effective June 30, 2013;
- 2) On June 30, 2013 the Island industrial customers' Rate Stabilization Plan will be credited with \$56.5 million, the estimated Rate Stabilization Plan amount required to phase-in industrial customer rates, based on Newfoundland and Labrador Hydro's General Rate Application. The remaining balance in the Rate Stabilization Plan Surplus on June 30, 2013, will be transferred to the credit of Newfoundland Power's Rate Stabilization Plan. No future adjustments will be made to these amounts credited. Effective July 1, 2013 all Island industrial customers, with the exception of Teck Resources, will be subject to the same standard industrial rate, equivalent to the existing base rate but excluding the Rate Stabilization Plan adjustment currently in place;
- 3) Teck Resources rate increase will be phased in, to a reasonable degree, in three equal annual percentage increases, and at the end of the phase-in period Teck Resources will be subject to the standard industrial rate;
- 4) Over the three year Island industrial rate phase in period, the shortfall in Newfoundland and Labrador Hydro's revenues when compared to revenue at the Board of Commissioners of Public Utilities-approved Island industrial customer rates, shall be funded from the Island industrial customer Rate Stabilization Plan;
- 5) Notwithstanding Items 1) through 4) above, effective January 1, 2014, the Island industrial customers will be subject to Rate Stabilization Plan rate changes in accordance with the Board of Commissioners of Public Utilities-approved methodology;
- 6) Newfoundland and Labrador Hydro's General Rate Application process shall include a Rate Stabilization Plan surplus refund plan to ratepayers. The refund plan shall comprise direct payments or rebates to ratepayers and shall not be in the form of an electricity rate adjustment. This refund plan will exclude Island industrial customers who will receive Rate Stabilization Plan surplus funds through the three year phase-in of new rates. The Board of Commissioners of Public Utilities shall make the final determination on the details of the refund to remaining ratepayers;

<http://www.exec-oic.gov.nl.ca/public/oic/details?order-id=91>

11/12/2013

7) Newfoundland Power's portion of the Rate Stabilization Plan Surplus shall be distributed as a direct payment or rebate to its ratepayers and shall not be in the form of an electricity rate adjustment; and

8) Newfoundland and Labrador Hydro's General Rate Application shall be based on a 2013 test year in the determination of new electricity rates for customers.

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Last Updated: November 12, 2013

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Orders in Council Database

Order Details

Order Number:

OC2013-090

Order Date:

2013-04-04

Department:

Natural Resources

Authority:

Hydro Corporation Act, 2007

Order Text:

Under the authority of section 39(3) of the Hydro Corporation Act, 2007, the Lieutenant Governor in Council is pleased to direct the Board of Directors of Newfoundland and Labrador Hydro-Electric Corporation to bring about such applications and information to the Board of Commissioners of Public Utilities to facilitate Orders from that Board with the following effects:

- 1) Effective July 1, 2013, Island industrial customer rates will no longer be frozen. Effective on this date rate increases for island industrial customers will be phased in over a three year period, with funding for this phase-in to be drawn from the January 1, 2007 to June 30, 2013 accumulated Load Variation (the Rate Stabilization Plan Surplus) component of the Rate Stabilization Plan and credited to the Island industrial customer Rate Stabilization Plan effective June 30, 2013;
- 2) On June 30, 2013 the Island industrial customers' Rate Stabilization Plan will be credited with \$56.5 million, the estimated Rate Stabilization Plan amount required to phase-in industrial customer rates, based on Newfoundland and Labrador Hydro's General Rate Application. The remaining balance in the Rate Stabilization Plan Surplus on June 30, 2013, will be transferred to the credit of Newfoundland Power's Rate Stabilization Plan. No future adjustments will be made to these amounts credited. Effective July 1, 2013 all Island industrial customers, with the exception of Teck Resources, will be subject to the same standard industrial rate, equivalent to the existing base rate but excluding the Rate Stabilization Plan adjustment currently in place;
- 3) Teck Resources rate increase will be phased in, to a reasonable degree, in three equal annual percentage increases and at the end of the phase-in period Teck Resources will be subject to the standard industrial rate;
- 4) Over the three year Island industrial rate phase in period, the shortfall in Newfoundland and Labrador Hydro's revenues when compared to revenue at the Board of Commissioners of Public Utilities-approved Island industrial customer rates, shall be funded from the Island industrial customer Rate Stabilization Plan; and
- 5) Notwithstanding Items 1) through 4) above, effective January 1, 2014, the Island industrial customers will be subject to Rate Stabilization Plan rate changes in accordance with the Board of Commissioners of Public Utilities-approved methodology.

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11/12/2013

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Appendix C
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<http://www.exec-oic.gov.nl.ca/public/oic/details?order-id=92>

11/12/2013

Orders in Council Database

Order Details

Order Number:

OC2013-091

Order Date:

2013-04-04

Department:

Natural Resources

Authority:

Hydro Corporation Act, 2007

Order Text:

Under the authority of section 39(3) of the Hydro Corporation Act, 2007, the Lieutenant-Governor in Council is pleased to direct the Board of Directors of Newfoundland and Labrador Hydro-Electric Corporation that:

- 1) during its General Rate Application process, it shall file a plan for the phase in of island industrial customer rates, including the application of the Rate Stabilization Plan funding, as described in OC2013-090;
- 2) during its General Rate Application process, it shall file a Rate Stabilization Plan surplus refund plan to ratepayers. The refund shall be a direct payment or rebate to ratepayers and shall not be in the form of an electricity rate adjustment. This refund plan will exclude Island industrial customers who will receive Rate Stabilization Plan surplus funds through the three year phase-in of new rates; and
- 3) it file its General Rate Application based on a 2013 test year in the determination of new electricity rates for customers.

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Orders in Council Database

Order Details

Order Number:

OC2013-207

Order Date:

2013-07-16

Department:

Natural Resources

Authority:

Electrical Power Control Act, 1994

Order Text:

Under the authority of section 5.1 of the Electrical Power Control Act, 1994, the Lieutenant Governor in Council is pleased to amend OC2013-089 by:

- a) deleting the date "June 30, 2013" wherever it appears and substituting therefor the date "August 31, 2013";
- b) deleting the date "July 1, 2013" wherever it appears and substituting therefor the date "September 1, 2013"; and
- c) deleting the words "\$56.5 million" wherever they appear and substituting therefor the words "\$49 million".

OC2013-089 is hereby amended.

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<http://www.exec-oic.gov.nl.ca/public/oic/details?order-id=423>

11/12/2013

Orders in Council Database

Order Details

Order Number:

OC2013-208

Order Date:

2013-07-16

Department:

Natural Resources

Authority:

Hydro Corporation Act, 2007

Order Text:

Under the authority of section 39(3) of the Hydro Corporation Act, 2007, the Lieutenant Governor in Council is pleased to amend OC2013-090 by:

- a) deleting the date "June 30, 2013" wherever it appears and substituting therefor the date "August 31, 2013";
- b) deleting the date "July 1, 2013" wherever it appears and substituting therefor the date "September 1, 2013"; and
- c) deleting the words "\$56.5 million" wherever they appear and substituting therefor the words "\$49 million".

OC2013-090 is hereby amended.

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APPENDIX D

PUB-NLH-7

RSP Rules and Components to be charged to Industrial Customers

Page 1 of 2

1 Q. Application, July 2013 Rate Stabilization Plan Evidence, page 1/17-19, Hydro
 2 states that: "Funding of \$49 million will be drawn from the January 1, 2007 to
 3 August 31, 2013 accumulated load variation component of the RSP (RSP Surplus)
 4 and will be credited to the IC RSP on August 31, 2013 for the IC rate phase-in;"

5
 6 Please provide details of the calculations that show how the \$49 million from the
 7 January 1, 2007 to August 31, 2013 accumulated load variation component of the
 8 RSP will be allocated to the Industrial Customer RSP throughout the three-year
 9 phase-in of rates.

10

11

12 A. Based on the 2013 Test Year, the three-year phase-in would be allocated as
 13 follows:

14	August 31, 2013 RSP Balance Owing from IC	\$39.0 million ¹
15	September 1, 2013 to December 31, 2013 Teck shortfall	
16	24,000,000 kWhs x 1.111 ¢ /kWh	\$0.3 million
17	January 1, 2014 to December 31, 2014	
18	Revenue at Proposed Rates	\$29.0 million ²
19	IC Billings at Phase-in Rates	\$22.0 million ³ \$7.0 million
20	January 1, 2015 to August 31, 2015	
21	Revenue at Proposed Rates	\$18.7 million ⁴
22	IC Billings at Phase-in Rates	\$15.9 million ⁵ <u>\$2.8 million</u>
23	Total	<u>\$49.1 million</u>

¹ July 2013 Rate Stabilization Plan Evidence, Page 6, Table 1

² 2013 General Rate Application, Page 4.16, Table 4.4

³ Based on 2013 Test Year billing determinants at proposed January 1, 2014 and September 1, 2014 phase-in rates

⁴ Based on 2013 Test Year billing determinants at proposed 2013 Test Year rates

⁵ Based on 2013 Test Year billing determinants at proposed January 1, 2015 phase-in rate

PUB-NLH-7

RSP Rules and Components to be charged to Industrial Customers**Page 2 of 2**

1 The actual drawdown of the \$49 million will differ and will not be known until
 2 August 31, 2015 as it will be affected by a number of variables over the phase-in
 3 period including the following:

- 4 • Actual IC RSP balance as at August 31, 2013;
- 5 • Final Board-approved IC rates based on the 2013 Test Year;
- 6 • IC load changes over the phase-in period; and
- 7 • Financing over the phase-in period.

8

9 The total balance in the IC RSP at August 31, 2015 will also be affected by a
 10 number of variables over the phase-in period including the following:

- 11 • Actual IC RSP balance as at August 31, 2013;
- 12 • Distribution of the RSP hydraulic balance, forecast to be \$47 million
 13 as at August 31 2013, to NP and IC;
- 14 • Final Board-approved rates based on the 2013 Test Year;
- 15 • NP, IC and Island Interconnected Rural customers' load changes
 16 over the phase-in period;
- 17 • Hydrology changes over the phase-in period;
- 18 • Fuel price changes over the phase-in period;
- 19 • Financing over the phase-in period;
- 20 • Power purchase volumes and prices; and
- 21 • Holyrood operating efficiency, and other factors.

22

23 In its Application "for approval of the Rate Stabilization Plan rules and
 24 components of the rates to be charged and to Industrial Customers", Hydro is
 25 proposing in the RSP Surplus section, Schedule B, that at the end of the phase-in
 26 period any remaining balance in the IC RSP Surplus Balance will be added to the
 27 IC plan then in effect.

APPENDIX E



Hydro Place, 500 Columbus Drive.
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 f. 709.737.1800
www.nlh.nl.ca

October 15, 2013

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Rate Stabilization Plan Fuel Price Projection – Industrial Customers

Order No. P.U. 14(2007) states that by the 10th working day of October, Hydro is to provide to the Board, to its Industrial Customers, and to Newfoundland Power an estimate of the Industrial Customer fuel rider that will become effective on January 1 of the coming year. The estimated fuel rider is to be based upon 12 months-to-date kWh sales to the end of September.

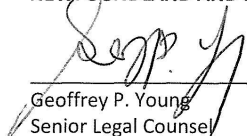
Due to the pending status of its 2013 General Rates Application for rates effective January 1, 2014, Hydro has provided the estimated fuel rider compared to both the 2007 Test Year (Schedule A) and 2013 Test Year (Schedule B) fuel price as summarized in the Table below.

	Fuel Rider (mills/kWh)	Forecast Fuel Price (\$Can/bbl)	Test Year Fuel Price (\$Can/bbl)	Difference (\$Can/bbl)
2007 Test Year	14.85	104.75	55.40	49.35
2013 Test Year	(1.17)	104.75	108.70	(3.95)

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO


Geoffrey P. Young
Senior Legal Counsel

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales

Thomas Johnson – Consumer Advocate
Thomas O'Reilly, QC – Cox & Palmer

Schedule A
Page 1 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2007 Test Year Fuel Forecast Price	\$ 55.40	
3	Forecast Fuel Price Variance	\$ 49.35	Line 1 - Line 2
4	2007 Test Year No. 6 Barrels Consumed	1,878,188	
5	Forecast Fuel Variance	\$ 92,688,578	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ 5,236,905	Line 5 x Line 6

	kWh	Percent of Total	Allocation of Rural	Total	
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.46%	93.56%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider		Amount	Comments
<u>Rate Rider</u>			
12	Industrial Allocation	\$ 5,236,905	From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	14.85	Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$5,236,905 is established as calculated above.

Schedule A

Page 2 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
2014 January	105.70
February	102.00
March	101.40
April	100.00
May	98.20
June	99.90
July	101.50
August	102.80
September	103.30
October	103.90
November	101.50
December	98.00
Average \$Cdn/bbl ⁽²⁾	101.50
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

Schedule B
Page 1 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2013 Test Year Fuel Forecast Price	\$ 108.70	
3	Forecast Fuel Price Variance	\$ (3.95)	Line 1 - Line 2
4	2013 Test Year No. 6 Barrels Consumed	1,842,112	
5	Forecast Fuel Variance	\$ (7,276,342)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ (411,113)	Line 5 x Line 6

Calculation of Customer Allocation		kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.43%	93.53%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider		Amount	Comments
12	Industrial Allocation	\$ (411,113)	From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	(1.17)	Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$-411,113 is established as calculated above.

Schedule B

Page 2 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
2014 January	105.70
February	102.00
March	101.40
April	100.00
May	98.20
June	99.90
July	101.50
August	102.80
September	103.30
October	103.90
November	101.50
December	98.00
Average \$Cdn/bbl ⁽²⁾	101.50
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

APPENDIX F

NEWFOUNDLAND AND LABRADOR HYDRO

Rate Stabilization Plan Estimated Fuel Price Projection Rider

Newfoundland Power

Oct-13

Line					
No	Customer Allocation	Amount	Comments		
1	September Fuel Price Projection	\$ 104.75	From Page 2		
2	2013 Test Year Fuel Forecast Price	\$ 108.70			
3	Forecast Fuel Price Variance	\$ (3.95)	Line 1 - Line 2		
4	2013 Test Year No. 6 Barrels Consumed	1,842,112			
5	Forecast Fuel Variance	\$ (7,276,342)	Line 3 x Line 4		
6	Newfoundland Power Customer Allocation Ratio	93.53%	From Line 9		
7	Newfoundland Power Customer Allocation	\$ (6,805,563)	Line 5 x Line 6		

NEWFOUNDLAND AND LABRADOR HYDRO Fuel Price Projection 2014 Budget Run (Fuel Rider as at October 2013)		
		\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾		
2014	January	105.70
	February	102.00
	March	101.40
	April	100.00
	May	98.20
	June	99.90
	July	101.50
	August	102.80
	September	103.30
	October	103.90
	November	101.50
	December	98.00
Average \$Cdn/bbl ⁽²⁾		
		101.50
NLH Test Year Contract Discount (\$US/bbl)		<u>(0.218)</u>
		\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾		<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾		<u>\$104.75</u>
Notes:		
(1)	The forecast is based on the PIRA monthly short-term forecast dated Sept 2013.	
(2)	Price per barrel is rounded to the nearest \$0.05.	
(3)	Monthly average of the Bank of Canada Can\$/US\$ Noon Exchange Rate for the month of September, 2013, rounded to 4 decimal places.	

Tab 2

IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the Act) and regulations thereunder;

AND IN THE MATTER OF an amended application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the Act, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

TO: The Board of Commissioners of Public Utilities (the Board)

THE AMENDED APPLICATION OF NEWFOUNDLAND AND LABRADOR HYDRO (Hydro) STATES THAT:

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the Act and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Section 70 of the Act provides that a public utility shall not charge, demand, collect or receive compensation for a service performed by it until the Board has approved a schedule of rates, tolls and charges for the services provided by the public utility.
3. On July 30, 2013, Hydro filed a General Rate Application (GRA) with the Board.
4. The GRA proposes, amongst other things, that the Board approve a change in rates to Hydro's customers, based upon the 2013 Test Year, effective January 1, 2014, as follows:

- (a) 2013 Test Year based rates for Newfoundland Power;
 - (b) 2013 Test Year based rates for Island Industrial Customers;
 - (c) 2013 Test Year based rates for Rural Labrador Interconnected Customers;
 - (d) 2013 Test Year based rates for government customers in Isolated Systems;
 - (e) Removal of the deferral of the 2007 rate increase for the non-lifeline rates for customers on the Isolated Systems; and
 - (f) Newfoundland Power based rate changes for Hydro's Rural Customers on the Island Interconnected, L'Anse au Loup and Isolated Systems.
5. On July 30, 2013 Hydro filed an application with respect to the Rate Stabilization Plan (RSP), based upon direction received from the Government, which proposed, among other things, a phase-in of 2013 GRA-based rates to Industrial Customers.
6. In Orders No. P.U. 26(2013) and P.U. 29(2013) the Board approved certain items relating to the direction from Government but did not approve the RSP rules related to the phase-in of rates for the Industrial Customers.
7. By Order No. P.U. 28(2013), the Board established, amongst other things, a schedule for the 2013 General Rate Application which provides for the commencement of public hearings of the Application on February 11, 2014. This schedule is expected to be revised and a further Procedural Order may be made at a later time.

8. In Order No. P.U. 40(2013), the Board modified the RSP rules to suspend the operation of the January 1, 2014 RSP adjustment for Industrial Customers. Prior to that Order, the RSP rules required that an RSP adjustment be made for Industrial Customers to reflect the September 2013 fuel price forecast.
9. The Board ~~will~~ was not reasonably ~~be~~ in a position to make the necessary determinations on the 2013 General Rate Application in a time which ~~will permit~~ would have permitted Hydro to implement a change in customer rates on ~~with effect from~~ January 1, 2014. If Hydro is unable to implement a final change in rates in a timely manner, or a final change in rates which, through a deferral and recovery account or similar means, has effect from early in 2014 through an interim order, it will be deprived of the opportunity to recover its costs, including a reasonable return on rate base for 2014 as required by Section 80 of the *Act*.
10. Section 75 of the *Act* provides that the Board may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls and charges submitted by a public utility upon the terms and conditions that it may decide. A public hearing of this Application is therefore not necessary.

11. ~~As Hydro is applying for interim rates effective January 1, 2014, Hydro is also applying for a change in the fuel price projection for Newfoundland Power. Section D 1 of the RSP rules state that:~~

~~*When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.*~~

Hydro repeats the foregoing and, ~~in the alternative, applies for a deferral and recovery mechanism whereby, commencing January 1, 2014, Hydro would defer any revenue shortfall between existing and approved rates with such shortfall to be recovered from customers over a three year period commencing when final rates become effective~~ applies for the approval, on an interim basis, of present rates for all classes of Hydro's Rural Customers so that Hydro may obtain an order for a deferral and recovery mechanism, or such other order as the Board may grant, whereby it would defer any revenue shortfall between interim rates and the rates to be approved on a final basis, with such shortfall to be recovered from customers over a period of time to be approved by the Board. Hydro's rates charged to Newfoundland Power are interim at present pursuant to Order No. P.U. 39(2010); Hydro's rates charged to Industrial Customers are interim at present pursuant to Order No. P.U. 20(2013); and the Rate Stabilization Plan Rules are interim at present pursuant to Order No. P.U. 32(2013).

12. Included in Hydro's proposals under this Amended Application is that Hydro calculate its RSP in relation to its proposed 2013 Test Year. Newfoundland Power's current RSP rates include a Newfoundland Power RSP Fuel Price Projection (fuel rider) of 1.634¢ per kWh which was calculated in relation to the 2007 Test Year fuel price of \$55.40 rather than the proposed 2013 Test Year fuel price of \$108.70. Since Hydro is not proposing that a change to Newfoundland Power's rates be made at this time, application of the fuel rider would, by June 30, 2014, result in a credit of approximately \$50 million in Newfoundland Power's current RSP. Hydro is proposing that the fuel rider monthly adjustments be held separately from the current RSP for a disposition upon a final Order. It is appropriate that the deferral account balance not be overstated due to the collection of current fuel costs inherent in the 2013 Proposed Test Year rates; those costs are already being recovered through the fuel rider.
13. Hydro is proposing that its proposed 2013 Test Year be used on an interim basis for Hydro's RSP calculations. This is required to facilitate the implementation of interim rates for one group of Island Interconnected customers (Industrial Customers) and a deferral mechanism for the other groups (Newfoundland Power and Rural Customers).
14. Hydro now makes application that the Board make:
- (a) an interim Order pursuant to Section 75 of the Act, approving
 - (i) the schedule of rates, tolls and charges for Island Interconnected Industrial Customers set out in Schedule A to this Amended Application to be effective on

and after January 1, 2014, until superseded by a final order of the Board in the matter of the Application, ~~including a change in the RSP Fuel Price Projection charged to Newfoundland Power calculated in accordance with Appendix F to the evidence filed in support of this Application;~~

(ii) changes to the RSP rules, as set out in Schedule B of this Application to:

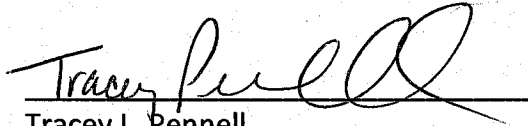
- (1) implement the phase-in of Industrial Customer rates, in accordance with direction provided by the Government;
- (2) segregate, within the RSP, amounts collected by Hydro through NP's current Fuel Price Projection rider of 1.634 cents/kWh until a further order of the Board on the matter;
- (3) remove the Board's suspension of January 1, 2014 RSP changes to the Industrial Customers;
- (4) include in the RSP rules specific references to the proposed 2013 Test Year;

Or,

- (iii) an Order pursuant to Section 70 of the Act approving a deferral and recovery mechanism whereby, ~~commencing January 1, 2014,~~ Hydro would defer any revenue shortfall between existing interim and final approved rates with such ~~shortfall to be recovered from customers over a three-year period~~ commencing deferral to be dealt with when final rates become effective;
- (iv) on an interim basis, present rates for all classes of Hydro's Rural Customers as set out in Schedule C;

- (v) use, on an interim basis, of Hydro's proposed 2013 Test Year values as the approved Test Year values in Hydro's Rate Stabilization Plan;
- (vi) the RSP rate to be charged by Hydro to Island Interconnected Industrial Customers as calculated in Appendix B of the evidence filed with the Application and as set out in Schedule A to this Application, to be effective for electrical consumption on or after January 1, 2014; and
- (b) Such further or other matters as may appear just and reasonable in the circumstances.

DATED AT St. John's in the Province of Newfoundland and Labrador this 11 day of ~~November~~,
2013 February 2014.



Tracey L. Pennell
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
Telephone: (709) 737-1277
Facsimile: (709) 737-1782

IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the *Act*) and regulations thereunder;

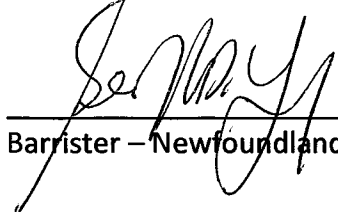
AND IN THE MATTER OF an amended application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the *Act*, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

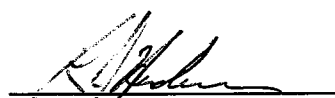
AFFIDAVIT

I, Robert J. Henderson, Professional Engineer, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice-President of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.
2. I have read and understand the foregoing Application.
3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the)
Province of Newfoundland and)
Labrador)
this 11th day of February 2014,)
before me:)


Barrister – Newfoundland and Labrador


Robert J. Henderson

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

Availability:

This rate is applicable to service to Newfoundland Power (NP).

Definitions:

"Billing Demand"

In the Months of January through March, billing demand shall be the greater of:

- (a) the highest Native Load less the Generation Credit, beginning in the previous December and ending in the current Month; and
- (b) the Minimum Billing Demand.

In the Months of April through December, billing demand shall be the greater of:

- (a) the Weather-Adjusted Native Load less the Generation Credit, plus the Weather Adjustment True-up; and
- (b) the Minimum Billing Demand.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	<u>80,104</u> 84,215
Thermal Generation Credit	<u>37,826</u> 35,993
Total Generation Credit	<u>117,930</u> 120,208

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, Newfoundland Power will be provided an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

“Maximum Native Load” means the maximum Native Load of NP in the four-Month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

“Native Load” is the sum of:

- (a) the amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen minute period thereafter; and
- (b) the total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load plus (Weather Adjustment, rounded to 3 decimal places, x 1000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- (a) the greater of:
 - the Weather Adjusted Native Load less the Generation Credit, times three; and
 - the Minimum Billing Demand, times three; and
- (b) the sum of the actual billed demands in the Months of January, February and March of the current year.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY (INTERIM) (continued)

Monthly Rates:

Billing Demand Charge:

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

\$4.00 ~~9.12~~ per kW of billing demand

Energy Charge:

First 280,000,000 kilowatt-hours*@ 3.246 ~~2.786~~ ¢ per kWh

All excess kilowatt-hours*@ 8.805 ~~10.400~~ ¢ per kWh

Firming-up Charge:

Secondary energy supplied by

Corner Brook Pulp and Paper Limited*@ 0.841 ~~1.248~~ ¢ per kWh

RSP Adjustment:

Current Plan@ (1.101) ¢ per kWh

Fuel Rider@ 1.634 ~~(0.125)~~ ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ 0.533 ~~(1.226)~~ ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses:

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering, shall be applied to the metered demand.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

Weather Adjustment: This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- (a) Weather adjustment shall be undertaken for NP's actual Maximum Native Load.
- (b) Weather adjustment shall be derived from Hydro's NP native peak demand model.
- (c) By September 30th of each year, Hydro shall provide NP with updated weather adjustment coefficient incorporating the latest year of actuals.
- (d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weight regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, Environment Canada's weather data and/or wind chill formulation.
- (e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition on underlying weather data.
- (f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of Weather-Adjusted Native Load by April 5th of each year.

General:

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach mutual agreement, the billing will be based on Hydro's best estimate.

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – FIRM (INTERIM)

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$9.13 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate* @ 4.782 ¢ per kWh

RSP Adjustment: @ 0.00 ¢ per kWh

Current Plan @ 0.168 ¢ per kWh

Fuel Rider @ (0.117) ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ 0.051 ¢ per kWh

Net Energy Rate @ 4.833 ~~4.782~~ ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Specifically Assigned Charges:

The table below contains the additional specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$944,954
North Atlantic Refining Limited	\$101,748
Teck Resources Limited	\$215,009
Vale Newfoundland and Labrador Inc	\$533,724

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM (INTERIM) (continued)

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

Phase-In Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.68 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate* @ 3.676 ¢ per kWh

RSP Adjustment @ 0.00 ¢ per kWh**

**** Exceptions:**

Teck Resources Limited RSP Adjustment@ (1.111) ¢ per kWh

Net Energy Rate@ 3.676 ¢ per kWh***

***** Exceptions:**

Teck Resources Limited Net Energy Rate @ 2.565 ¢ per kWh

Specifically Assigned Charges:

The table below contains the additional specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Teck Resources Limited	\$ 186,169
Vale Newfoundland and Labrador Inc	\$ 0

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – NON-FIRM (INTERIM)

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2012 (3.36%)

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 612 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2G

DOMESTIC DIESEL

GOVERNMENT DEPARTMENTS (INTERIM)

Removed and replaced with Page DSL-G-1 in Schedule C

Availability:

~~For Service to Government Departments throughout the Island and Labrador diesel service areas of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.~~

Rate:

Basic Customer Charge \$53.50 per month

Energy Charge:

~~—All kilowatt-hours..... @ 91.621 ¢ per kWh~~

Minimum Monthly Charge..... \$53.50

Discount:

~~A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.~~

General:

~~Details regarding conditions of service are provided in the Rules and Regulations.~~

~~**This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**~~

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1G

GENERAL SERVICE DIESEL 0-10 kW

GOVERNMENT DEPARTMENTS (INTERIM) (continued)

Removed and replaced with Page DSL-G-2 in Schedule C

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge \$58.56 per month

Energy Charge:

— All kilowatt-hours @ 84.673¢ per kWh

Minimum Monthly Charge \$58.56

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2G

GENERAL SERVICE DIESEL OVER 10 kW

GOVERNMENT DEPARTMENTS (INTERIM) (continued)

Removed and replaced with Page DSL-G-3 in Schedule C

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge: \$75.06 per month

Demand Charge:

The maximum demand registered on the meter in the current month @ \$66.59 per kW

Energy Charge:

All kilowatt hours @ 64.071 ¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. ~~This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.~~

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 4.1G

STREET AND AREA LIGHTING SERVICE DIESEL

GOVERNMENT DEPARTMENTS (INTERIM) (Continued)

Removed and replaced with Page DSL-G-4 in Schedule C

Availability:

For Street and Area Lighting Service to Government Departments throughout the Island and Labrador Diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR	
-250W (9,400 lumens)	\$85.32
HIGH PRESSURE SODIUM¹	
-100W (8,600 lumens)	57.31
-150W (14,400 lumens)	85.32

¹ ~~Only High Pressure Sodium fixtures are available for all new installations and replacements.~~

General:

Details regarding conditions of service are provided in the Rules and Regulations.
~~This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.~~

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro) is established for Hydro's Utility customer, Newfoundland Power, and Island Industrial customers to smooth rate impacts for variations between actual results and Test Year Cost of Service estimates for:

- hydraulic production;
- No. 6 fuel cost used at Hydro's Holyrood generating station;
- customer load (Utility and Island Industrial); and
- rural rates.

The formulae used to calculate the Plan's activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

Section A: Hydraulic Production Variation

1. Activity:

Actual monthly production is compared with the Test Year Cost of Service Study in accordance with the following formula:

$$\{(A - B) \div C\} \times D$$

Where:

A = 2013 Proposed Test Year Cost of Service Net Hydraulic Production (kWh)

B = Actual Net Hydraulic Production (kWh)

C = 2013 Proposed Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)

D = 2013 Proposed Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

2. Financing:

Each month, financing charges, using Hydro's 2013 Proposed ~~approved~~ Test Year weighted average cost of capital, will be calculated on the balance.

3. Hydraulic Variation Customer Assignment:

Customer assignment of hydraulic variations will be performed annually as follows:

$$(E \times 25\%) + F$$

Where:

E = Hydraulic Variation Account Balance as of December 31, excluding financing charges

F = Financing charges accumulated to December 31

The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.

4. Customer Allocation:

The annual customer assignment will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the 2013 Proposed ~~approved~~ Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances respectively as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration

1. Activity

1.1 Fuel Cost Variations

This is based on the consumption of No. 6 Fuel at the Holyrood Generating Station:

$$(G - D) \times H$$

Where:

D = Monthly 2013 Proposed Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

G = Monthly Actual Average No. 6 Fuel Cost (\$Can /bbl.)

H = Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)

1.2 Load Variations

Firm: Firm load variation is comprised of fuel and revenue components. The load variation is determined by calculating the difference between actual monthly sales and the Test Year Cost of service Study sales, and the resulting variance in No. 6 fuel costs and sales revenues. It is calculated separately for Newfoundland Power firm sales and Industrial firm sales, in accordance with the following formula:

$$(I - J) \times \{(D \div C) - K\}$$

Where:

C = 2013 Proposed Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)

D = Monthly 2013 Proposed Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

I = Actual Sales, by customer class (kWh)

J = 2013 Proposed Test Year Cost of Service Sales, by customer class (kWh)

K = Firm energy rate, by customer class

Secondary: Secondary load variation is based on the revenue variation for Utility Firm-Up Secondary energy sales compared with the Test Year Cost of Service Study, in accordance with the following formula:

$$(J - I) \times L$$

Where:

I = Actual Sales (kWh)

J = 2013 Proposed Test Year Cost of Service Sales (kWh)

L = Secondary Energy Firming Up Charge

1.3 Rural Rate Alteration

(a) Newfoundland Power Rate Change Impacts:

This component is calculated for Hydro's rural customers whose rates are directly or indirectly impacted by Newfoundland Power's rate changes, with the following formula:

$$(M - N) \times O$$

Where:

M = 2013 Proposed Cost of Service rate [±]

N = 2013 Proposed Existing rate

O = Actual Units (kWh, bills, billing demand)

~~(b) Rural Labrador Interconnected Automatic Rate Adjustments:~~

~~This component reflects the impact of the automatic rate adjustments for Hydro's rural customers on the Labrador Interconnected system, which arise from the phase-in of the application of the credit from secondary energy sales to CFB Goose Bay to the rural deficit.~~

~~Monthly adjustments will be subject to revision when a new Test Year Cost of Service is approved by the Public Utilities Board for Hydro. The amount of the automatic rate adjustment is (\$98,295.)~~

2. Monthly Customer Allocation: Load and Fuel Activity

Each month, the load variation will be held in a separate account in the Plan, until its disposition is

±

- ~~Hydro's schedule of rates for its rural customers not affected by the December 6th, 2006 Government directive.~~
- ~~For customers affected by the December 6th, 2006 Government directive, the Cost of Service rate equals the phased-in 2007 Forecast Cost of Service Rates for diesel rate classes 1.2D, 2.1D and 2.2D.~~
- ~~No Rural Rate Alteration will arise from the phase-in of 2007 Forecast Cost of Service rates for the customers affected by the December 6th, 2006 Government directive.~~

ordered by the Board of Commissioners of Public Utilities.

Each month, the year-to-date total for fuel price variation will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The year-to-date portion of the fuel price variation which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the 2013 Proposed ~~approved~~ Test Year Cost of Service Study.

The current month's activity for Newfoundland Power, Island Industrials and regulated Labrador Interconnected customers will be calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month. The current month's activity allocated to regulated Labrador Interconnected customers will be removed from the Plan and written off to Hydro's net income (loss).

3. Monthly Customer Allocation: Rural Rate Alteration Activity

Each month, the rural rate alteration will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the 2013 Proposed ~~approved~~ Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the Plan and written off to Hydro's net income (loss).

4. Plan Balances

Separate plan balances for Newfoundland Power, the Island Industrial customer class and the segregated load variation will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's 2013 Proposed ~~approved~~ Test Year weighted average cost of capital.

Section C: Fuel Price Projection

A fuel price projection will be calculated to anticipate forecast fuel price changes and to determine fuel riders for the rate adjustments. For industrial customers, this will occur in October each year, for inclusion with the RSP adjustment effective January 1. For Newfoundland Power, this will occur in April each year, for inclusion with the RSP adjustment effective July 1.

1. Industrial Fuel Price Projection:

In October each year, a fuel price projection for the following January to December shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(S - T) \times U] - V \times W$$

Where:

- S = the September month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following January to December
T = Hydro's average 2013 Proposed Test Year contract discount (US \$/bbl)
U = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of September
V = average 2013 Proposed Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the 2013 Proposed Test Year

The industrial customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of September and is the ratio of Industrial Firm invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 10th working day of October.

2. Newfoundland Power Fuel Price Projection:

In April each year, a fuel price projection for the following July to June shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(X - T) \times Y] - V \times W$$

Where:

- T = Hydro's average 2013 Proposed Test Year contract discount (US \$/bbl)
V = average 2013 Proposed Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the 2013 Proposed Test Year. ~~For the 2007 Test Year, test year barrels are reduced by 589,208 based on the reduction in forecast Island Industrial customer load caused by the shutdown of one of the paper machines at Corner Brook Pulp and Paper and the shutdown of Abitibi Consolidated (Grand Falls).~~
X = the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following July to December, and the most recent long-term PIRA Energy Group average annual forecast for No. 6 fuel prices at New York Harbour for the following January to June
Y = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of March

The Newfoundland Power customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of March and is the ratio of Newfoundland Power Firm and Firmed-Up Secondary invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy. ~~For the 12 months to date (April 2008 – March 2009) Industrial Firm invoiced energy is reduced by 87,991,636 kWh to reflect the forecast reduction in Abitibi Consolidated (Grand Falls) load.~~

The amount of the forecast fuel price change, in Canadian dollars, and the details of the resulting fuel rider applied to the adjustment rate will be reported to Newfoundland Power, industrial customers, and the Public Utilities Board, by the 10th working day of April.

Section D: Adjustment

1. Newfoundland Power

As of March 31 each year, Newfoundland Power's adjustment rate for the 12-month period commencing the following July 1 is determined as the rate per kWh which is projected to collect:

Newfoundland Power March 31 Balance

less projected recovery / repayment of the balance for the following three months (if any),
 estimated using the energy sales (kWh) for April, May and June from the previous year

plus forecast financing charges to the end of the 12-month recovery period (i.e., June in the
 following calendar year),

divided by the 12-months-to-date firm plus firmed-up secondary kWh sales to the end of March.

A fuel rider shall be added to the above adjustment rate, based on the Newfoundland Power Fuel Price Projection amount (as per Section C.2 above) divided by 12-months-to-date kWh sales to the end of March.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

1.1 Effective January 1, 2014, the fuel rider portion of the Newfoundland Power RSP Adjustment then in effect will be accumulated as a separate balance within the RSP, including monthly financing, until its disposition is ordered by the Board.

2. Island Industrial Customers

As of December 31 each year, the adjustment rate for industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance



Effective: January 1, 2014

plus forecast financing charges to the end of the following calendar year,
divided by 12-months-to-date kWh sales to the end of December.

A fuel rider shall be added to the above adjustment rate, based on the Industrial Fuel Price Projection (as per Section C.1 above) amount divided by 12-months-to-date kWh sales to the end of December.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values. Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

~~2.2 Notwithstanding paragraph 2.1, as of December 31, 2013 the adjustment rate for industrial customers commencing January 1, 2014 will continue, on an interim basis, to be the rate per kWh which was approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013). This rate will remain effective until a further Order of the Board~~

Section E: Historical Plan Balances:

1. August 2002 Balance:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at August 2002 will be recovered over a 5-year collection period, with adjustment rates established each December 31, commencing December 31, 2002. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year annual weighted average cost of capital.

Newfoundland Power

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$A = (B - C + D) \div E \div F$$

Where:

- A = adjustment rate (\$ per kWh) for the 12-month period commencing the following July 1.
- B = Balance December 31
- C = projected recovery to the following June 30 (if any), estimated using the most recent energy sales (kWh) for the period January to June
- D = projected financing charges to the following June 30
- E = number of years remaining in the adjustment period
- F = energy sales (kWh) (firm and firmed-up secondary) to Newfoundland Power for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

Island Industrial Customers, excluding Teck Cominco Limited [Exempted pursuant to Order No. P.U.1(2007)]

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$G = H \div I \div J$$

Where:

- G = adjustment rate (\$ per kWh) for the 12-month period commencing the following January 1.
- H = Balance December 31
- I = number of years remaining in the adjustment period
- J = firm energy sales (kWh) to Industrial Customers, excluding sales to Teck Cominco Limited, for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

2. RSP Balance, December 31, 2003:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at December 31, 2003 will be consolidated with the outstanding August 2002 customer balances as of December 31, 2003, and will be included with the Newfoundland Power and Island Industrial customer balances respectively for rate-setting purposes as of December 31, 2003.

Section F: RSP Surplus:

1. August 31, 2013 Balance:

The net load variation for Newfoundland Power and the Industrial Customers from January 1, 2007 to August 31, 2013, including financing (the RSP Surplus), will be removed from the respective customer class balance, and allocated based upon direction provided by Government in Orders in Council OC2013-089 and OC2013-207. The balances which remain after this amount is removed will form the adjusted August 31, 2013 current plan balances for each customer class.

The Industrial Customer class allocated amount will be used, firstly, to reduce the Industrial Customer class adjusted August 31, 2013 RSP balance to zero. The remaining Industrial Customer class allocated amount will be segregated until its disposition is ordered by the Board of Commissioners of Public Utilities.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.111) ¢ per kWh, approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013), shall be segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

The Newfoundland Power allocated amount of the RSP Surplus will be segregated held until such

time as its disposition occurs in accordance with an Order of the Board of Commissioners of Public Utilities through a refund in accordance with Order in Council OC2013-089.

2. Plan Balances

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's 2013 Proposed approved Test Year weighted average cost of capital.

3. Island Industrial Customer RSP Surplus Balance:

The RSP Surplus balance allocated to the Industrial Customer class will be used to fund a phase-in of new Industrial Customer base rates effective September 1, 2013 using monthly adjustments determined as follows:

3.1 Island Industrial Customers excluding Teck Resources

The monthly adjustment for each month from September 1, 2013 to August 31, 2015 will be determined for each billing component (demand, energy and specifically assigned charge) for each Industrial Customer, except Teck Resources, as follows:

$$A = (B - C) \times D$$

Where:

A = Monthly RSP Adjustment

B = Approved Island Industrial Customer base rate

C = Phase-In Industrial Customer rate

D = Actual monthly Industrial Customer billing units

Phase-In Industrial Customer Rates – September 1, 2013 to August 31, 2014

The Phase-In Industrial Customer rates will be calculated for each of demand, energy, and each customer's specifically assigned charges. For Industrial Customers, except Teck Resources, the phase-in rates for the twelve months commencing September 1, 2013 will be the base rates approved in Hydro's 2007 Test Year. These rates are:

Demand Charge: \$6.68 per month per kilowatt of billing demand

Firm Energy Charge: Base Rate 3.676 ¢ per kWh

<u>Specifically Assigned Charges:</u>	<u>Annual Amount</u>
<u>Corner Brook Pulp and Paper Limited</u>	<u>\$ 347,167</u>
<u>North Atlantic Refining Limited</u>	<u>\$ 150,976</u>
	<u>\$ 498,143</u>

3.2 Teck Resources

The monthly adjustment for each month commencing September 1, 2013 until final approval of

2013 Test Year base rates will include an RSP credit of (1.111) ¢ per kWh.

The Phase-In rates for Teck Resources commencing September 1, 2013 will be:

Demand Charge: \$6.68 per month per kilowatt of billing demand

Firm Energy Charge: Base Rate 3.676 ¢ per kWh

RSP Adjustment (1.111) ¢ per kWh

Specifically Assigned Charges: Annual Amount

\$186,169

Note: Once final base rates are approved based upon Hydro's 2013 Test Year, Hydro will apply for the disposition of any difference between the adjustment amounts calculated and the adjustment which would have been calculated using the 2013 approved Test Year rates. The difference will be refunded to, or collected from, Teck Resources, in a manner to be approved by the Board.

Teck Resources Phase-In Industrial Customer monthly adjustment will be calculated in a manner similar to those specified above for the other Industrial Customers, as follows:

$$L = (M - N) \times O$$

Where:

L = Monthly RSP Adjustment

M = Approved Island Industrial Customer base rate

N = Phase-In Teck Resources Industrial Customer rate

O = Actual monthly Teck Resources billing units

The monthly adjustments will be applied to the balance each month. At the end of the phase-in period, any remaining balance will be added to the Industrial Customer plan then in effect.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1 (INTERIM)

DOMESTIC

Availability:

For Service on the Island Interconnected system and the L'Anse au Loup system to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:

Not Exceeding 200 Amp Service..... \$15.68 per month
Exceeding 200 Amp Service..... \$20.68 per month

Energy Charge:

All kilowatt-hours @ 10.945 ¢ per kWh

Minimum Monthly Charge:

Not Exceeding 200 Amp Service..... \$15.68 per month
Exceeding 200 Amp Service..... \$20.68 per month

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1S (INTERIM)

DOMESTIC - OPTIONAL

Availability:

Available upon request for Service on the Island Interconnected system and the L'Anse au Loup system to Customers served under Rate 1.1 Domestic Service who have a minimum of 12 months of uninterrupted billing history at their current Serviced Premises.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

The Energy Charges provided for in Rate 1.1 Domestic Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):

All kilowatt-hours @ 0.953¢ per kWh

Non-Winter Season Premium Adjustment (Billing months of May through November):

All kilowatt-hours @ (1.297)¢ per kWh

Special Conditions:

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require an adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.3 (INTERIM)

BURGEO SCHOOL AND LIBRARY

Availability:

For Service to Burgeo School and Library.

Rate:

Energy Charge:

All kilowatt-hours@5.572¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE No. 2.1 (INTERIM)
GENERAL SERVICE 0 - 100 kW (110 kVA)

Availability¹:

For Service (excluding Domestic Service) on the Island Interconnected system and the L'Anse au Loup system where the maximum demand occurring in the 12 months ending with the current month is less than 100 kilowatts (110 kilovolt-amperes).

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$21.91 per month

Demand Charge:

\$8.68 per kW of billing demand in the months of December, January, February and March and \$6.18 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month in excess of 10 kW.

Energy Charge:

First 3,500 kilowatt-hours @ 10.927 ¢ per kWh
All excess kilowatt-hours @ 8.336 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge, but not less than Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase \$21.91 per month
Three Phase: \$36.00 per month

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

¹ This rate is also available to fish plants in Isolated Rural Systems with a connected load of 30kW or greater.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.3 (INTERIM)

GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

Availability¹:

For Service on the Island Interconnected system and the L'Anse au Loup system where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$50.02 per month

Demand Charge:

\$7.54 per kVA of billing demand in the months of December, January, February and March and \$5.04 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kVA of billing demand,

up to a maximum of 50,000 kilowatt-hours @ 9.649 ¢ per kWh

All excess kilowatt-hours @ 7.878 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

¹ This rate is also available to fish plants in Isolated Rural Systems with a connected load of 30kW or greater.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.4 (INTERIM)

GENERAL SERVICE 1000 kVA AND OVER

Availability¹:

For Service on the Island Interconnected system and the L'Anse au Loup system where the maximum demand occurring in the 12 month period ending with the current month is 1000 kilovolt-amperes or greater.

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$85.03 per month

Billing Demand Charge:

\$7.12 per kVA of billing demand in the months of December, January, February and March and \$4.62 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 75,000 kilowatt-hours @ 9.126 ¢ per kWh

All excess kilowatt-hours @ 7.644 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

¹ This rate is also available to fish plants in Isolated Rural Systems with a connected load of 30kW or greater.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1 (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service on the Island Interconnected system and the L'Anse au Loup system, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate: (Including Municipal Tax and Rate Stabilization Adjustment)

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$21.31
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	16.83
150W (14,400 lumens)	21.31
250W (23,200 lumens)	30.34
400W (45,000 lumens)	41.98

¹ For all new installations and replacements.

Special poles used exclusively for lighting service

Wood..... \$7.23

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 1.2D (INTERIM)

DOMESTIC DIESEL

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments) for service to a domestic unit or to buildings or facilities which are on the same Serviced premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately. All churches, schools, and community halls in the diesel service areas are also subject to this rate.

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$15.68 per month
Exceeding 200 Amp Service: \$20.68 per month

Energy Charge:

First Block (See Table Below) kilowatt-hours per month @ 10.945 ¢ per kWh

Second Block (See Table Below) kilowatt-hours per month @ 12.373 ¢ per kWh

All kWh over 1000 kilowatt-hours per month @ 16.776 ¢ per kWh

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
<i>First Block</i>	1000	1000	900	900	800	800	700	700	700	800	900	1000
<i>Second Block</i>	0	0	100	100	200	200	300	300	300	200	100	0

Minimum Monthly Charge..... \$15.68

Exceeding 200 Amp Service: \$20.68

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

Rate Stabilization Clause:

This Rate is subject to the Rate Stabilization Adjustment arising from the operation of the Rate Stabilization Clause which forms part of the Schedule of Rates.

Municipal Tax Clause:

This Rate is subject to the Municipal Tax Adjustment arising from the operation of the Municipal Tax Clause which forms part of the Schedule or Rates.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2DS (INTERIM)

DOMESTIC DIESEL (Non-Government First Block) - OPTIONAL

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments), available upon request for Service to Customers served under Rate 1.2 Domestic Diesel Service (First Block consumption only) who have a minimum of 12 months of uninterrupted billing history at their current Served Premises.

Rate:

The Energy Charges provided for in Rate 1.2D Domestic Diesel Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):

First Block Only

All kilowatt-hours @ 0.953¢ per kWh

Non-Winter Season Premium Adjustment (Billing months of May through November):

First Block Only

All kilowatt-hours @ (1.297)¢ per kWh

Special Conditions:

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require an adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.1D (INTERIM)

GENERAL SERVICE DIESEL 0-10 kW

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments) for non-domestic services where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge: \$19.64 per month

Energy Charge:

All kilowatt-hours @ 16.738 ¢ per kWh

Minimum Monthly Charge: Single Phase..... \$19.64

Three Phase \$36.01

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2D (INTERIM)

GENERAL SERVICE DIESEL OVER 10 kW

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments) for non-domestic services where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge: \$28.87 per month

Demand Charge:

The maximum demand registered on the meter in the current month..... @ \$12.82 per kW

Energy Charge:

All kilowatt-hours..... @ 16.290¢ per kWh

Minimum Monthly Charge: Single Phase..... \$28.87

Three Phase \$62.96

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1D (INTERIM)

STREET AND AREA LIGHTING SERVICE DIESEL

Availability:

For Street and Area Lighting Service (excluding Government Departments) throughout the Island and Labrador diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate: (Including Municipal Tax and Rate Stabilization Adjustment)

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$21.31
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	16.83
150W (14,400 lumens)	21.31
250W (23,200 lumens)	30.34
400W (45,000 lumens)	41.98

¹ For all new installations and replacements.

Special poles used exclusively for lighting service

Wood..... \$7.23

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2G (INTERIM)

DOMESTIC DIESEL

GOVERNMENT DEPARTMENTS

Availability:

For Service to Government Departments throughout the Island and Labrador diesel service areas of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate:

Basic Customer Charge \$41.03 per month

Energy Charge:

All kilowatt-hours @ 78.10 ¢ per kWh

Minimum Monthly Charge..... \$41.03

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1G (INTERIM)

GENERAL SERVICE DIESEL 0-10 kW

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge \$44.82 per month

Energy Charge:

All kilowatt-hours @ 69.701¢ per kWh

Minimum Monthly Charge..... \$44.82

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2G (INTERIM)

GENERAL SERVICE DIESEL OVER 10 KW

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge: \$66.37 per month

Demand Charge:

The maximum demand registered on the meter in the current month..... @ \$53.68 per kW

Energy Charge:

All kilowatt-hours..... @ 49.554 ¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 4.1G (INTERIM)

STREET AND AREA LIGHTING SERVICE DIESEL

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Street and Area Lighting Service to Government Departments throughout the Island and Labrador Diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$63.95
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	51.80
150W (14,400 lumens)	63.95

¹ Only High Pressure Sodium fixtures are available for all new installations and replacements.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1L (INTERIM)

DOMESTIC

Availability:

For Service throughout the Labrador Interconnected service area of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Served Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate:

Basic Customer Charge: \$7.15 per month

Energy Charge:

All kilowatt-hours @ 3.280 ¢ per kWh

Minimum Monthly Charge..... \$7.15

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1L (INTERIM)

GENERAL SERVICE 0 - 10 kW

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge: \$10.45 per month

Energy Charge:

All kilowatt-hours @ 5.240 ¢ per kWh

Minimum Monthly Charge: Single Phase..... \$10.45

Three Phase..... \$20.00

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.2L (INTERIM)

GENERAL SERVICE 10 - 100 kW (110 kVA)

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater but less than 100 kilowatts (110 kilovolt-amperes).

Rate:

Demand Charge:

The maximum demand registered on the meter in the current month @ \$2.20 per kW

Energy Charge:

All kilowatt-hours..... @ 2.433 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to \$1.05 per kW of maximum demand occurring in the 12 months ending with the current month, but not less than \$20.00 for a three phase service.

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE No. 2.3L (INTERIM)
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate:

Demand Charge:

The maximum demand registered on the meter in the current month @ \$2.00 per kVA

Energy Charge:

All kilowatt-hours..... @ 2.103 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to \$1.05 per kVA of maximum demand occurring in the 12 months ending with the current month.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.4L (INTERIM)

GENERAL SERVICE 1000 kVA AND OVER

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 month period ending with the current month is 1000 kilovolt-amperes or greater.

Rate:

Billing Demand Charge:

The maximum demand registered on the meter in the current month @ \$1.75 per kVA

Energy Charge:

All kilowatt-hours..... @ 1.733 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to \$1.05 per kVA of maximum demand occurring in the 12 months ending with the current month.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1L (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR¹	
250W (9,400 lumens)	\$ 13.50
HIGH PRESSURE SODIUM ²	
100W (8,600 lumens)	10.00
150W (14,400 lumens)	13.50
250W (23,200 lumens)	17.80
400W (45,000 lumens)	23.00

¹ Fixtures previously owned by the Town of Wabush as of September 1, 1985, and transferred to Hydro in 1987.

² Only High Pressure Sodium fixtures are available for all new installations and replacements installed after September 1, 2002.

Special poles used exclusively for lighting service

Wood\$ 3.40

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.11L (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro existing as of September 1, 2002.

Monthly Rate:

	SENTINEL / STANDARD
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	\$ 6.75

¹ Any new fixtures added will be at the rates set out in Rate 4.1W.

Special poles used exclusively for lighting service

Wood\$ 3.25

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.12L (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by the customer.

Monthly Rate:

	SENTINEL / STANDARD
HIGH PRESSURE SODIUM	
100W (8,600 lumens)	\$ 4.10

Special poles used exclusively for lighting service

Wood\$ 3.40

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 5.1L (INTERIM)

SECONDARY ENERGY

Availability:

For Service to Customers on the Labrador Interconnected grid engaged in fuel switching who purchase a minimum of 1 MW load and a maximum of 24 MW, who provide their own transformer and, who are delivered power at primary voltages. Hydro shall supply Secondary Energy to the Customer at such times and to the extent that Hydro has Churchill Falls electricity available in excess of the amount it requires for its own use, and to meet its commitments and sales opportunities, present and future, for firm energy. Moreover, Hydro may interrupt or reduce the supply of Secondary Energy at its sole discretion for any cause whatsoever. The energy delivered shall be used solely for the operation of the equipment engaged in fuel switching.

Energy Charge:

The energy charge shall be calculated monthly based on:

EITHER:

- A. The Customer's cost of fuel (cents per litre) most recently delivered to the Customer including fuel additives, if any, in accordance with the following formula:

Secondary Energy Rate = Constant Factor x Fuel Cost/Litre x 90%

$$\text{Constant Factor} = \frac{3413 \text{ BTU/kWh} \times A \times B}{C \times D}$$

Where:

A = Customer's Electric Boiler Efficiency

B = Transformer and Losses Adjustment Factor

C = BTU/Litre of the Customer's fuel

D = Customer's Oil-fired Boiler Efficiency

OR:

- B. One (1) cent less than the New York Mercantile Exchange (NYMEX) settlement price for New York Independent System Operator (NYISO) Zone A Swap Peak electricity after the end of trading on the 19th day of the previous month, converted to Canadian dollars using the exchange rate at the closing of the same day.

WHICHEVER IS GREATER

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 5.1L (INTERIM)

SECONDARY ENERGY

Prior to the commencement of service, the Customer will provide to Hydro the rate component values for insertion in the pricing formula for Secondary Energy. If subsequent changes to any of these rate components are required, the Customer will provide them to Hydro as soon as practicable. Hydro may require that these rate component values be verified.

Communications

The Customer and Hydro shall each designate a position within their respective staffs to be responsible for communications as to changes in the cost of the fuel delivered to the Customer. Hydro will contact the Customer's designate on or before the second working day of each month at which time the Customer's designate will inform Hydro of the fuel cost. If this information is unavailable to Hydro for any reason, Hydro will use the previous month's fuel cost and other inputs and make the adjustment to the correct values in the following month's billing.

Hydro will inform the Customer of the value of part B of the energy charge calculation on the first business day following the 21st day of the month preceding the month for which the rate is being set.

Power Factor

If the Customer's power factor is lower than 90%, the Customer shall upon written notice by Hydro provide, at the Customer's expense, power factor corrective equipment to ensure that a power factor of not less than 90% is maintained.

General:

Insofar as they are not inconsistent with the forgoing, the conditions of service provided in the Rules and Regulations shall apply to Customers in this rate class.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

Evidence Related to
Hydro's Amended Interim Rates Application

Newfoundland and Labrador Hydro

February 2014



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1.0 INTRODUCTION

On July 30, 2013, Newfoundland and Labrador Hydro (Hydro) filed its General Rate Application (GRA) requesting new rates effective January 1, 2014. As it became clear that final rates would not be approved by January 1, 2014, on November 18, 2013 Hydro filed an Application requesting that the Board approve implementation of interim rates effective January 1, 2014, based on the GRA filing, for certain Hydro's customer classes. Alternatively, if the Board did not approve Hydro's Interim Rates Application, Hydro proposed the deferral of the forecast 2014 revenue shortfall between existing and approved rates for all customers, with recovery commencing at the time of the new rate implementation. Hydro stated that its preference was that the Board approve the Interim Rates Application as it would result in a rate decrease for the vast majority of Hydro's customers affected by the Application and it would also facilitate the phase-in of Industrial Customers (IC) rates in line with Government direction.¹

Since November 22, 2013 a Request for Information (RFI) process has been ongoing regarding Hydro's Interim Rates Application and on December 13, 2013 the Board issued Order No. P.U. 40(2013), which on pages 3 and 4, states as follows:

The Board is satisfied that interim rates could not realistically be put in place for January 1, 2014 and further that rate changes should not be made before the issues and concerns associated with the Interim Rates Application are resolved. Without approval of the Interim Rates Application and without a change to the RSP rules, the Industrial Customers would be subject to a 36.2% increase... In the circumstances the Board concludes that it is appropriate to suspend the operation of the January 1 RSP adjustment for the Industrial Customers. The Board acknowledges Hydro's request that the interim rates be put into effect as soon as practically possible and agrees that this matter should proceed expeditiously. The Board will ensure that the process reflects the urgency of the matter.

¹ OC2013-089, as amended.

1 In response to RFI IR-NP-NLH-029, Hydro outlined a modified approach to its original
2 Interim Rates Application which has elements of both the implementation of interim rates
3 and a deferral and recovery mechanism. Given the current circumstances, Hydro is
4 modifying its request for interim rates and is instead requesting interim rates for Island
5 Interconnected IC and a deferral and recovery mechanism for its remaining customers.
6 Hydro believes this approach will enable the following:

- 7 • Implementation of IC rates in a manner that achieves the result that was
8 contemplated in the Government directives;
- 9 • Deferral of rate implementation for other customers until rate design and cost of
10 service issues are addressed;
- 11 • Provision to Hydro of the opportunity to earn a return on rate base that is closer to
12 that which results from the Government directed Return on Equity (ROE) for the
13 2013 Test Year; and
- 14 • Improvement of Hydro's financial position in anticipation of a return to the capital
15 markets in 2014 to fund the infrastructure renewal and new assets construction
16 program estimated at \$763 million over the 2014 to 2017 period.

2.0 INTERIM RATES REQUEST FOR INDUSTRIAL CUSTOMERS

On December 13, 2013 the Board issued Order No. P.U. 40(2013) which approved, on an interim basis, an additional Rate Stabilization Plan (RSP) clause as follows:

Notwithstanding paragraph 2.1, as of December 31, 2013 the adjustment rate for industrial customers commencing January 1, 2014 will continue, on an interim basis, to be the rate per kWh which was approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013). This rate will remain effective until a further Order of the Board.

In its discussion on the matter, the Board points out that without approval of the Interim Rates Application and without a change to the RSP rules, the IC would be subject to a 36.2% increase. The Board's approval of a change to the RSP rules avoided what otherwise would have been a significant rate increase for IC. It is a temporary solution which contemplates a further Order of the Board. Hydro's current proposal for IC would enable implementation of IC rates in a manner that achieves the result contemplated in the Government directives and, as well, provides Hydro with the opportunity to earn a return on rate base that is closer to that which results from the Government directed ROE for the 2013 Test Year.

Hydro proposes that IC base rates reflect Hydro's 2013 proposed Test Year rates on an interim basis. Effective January 1, 2014, the difference between those rates and existing rates (phase-in rates) will be adjusted through the IC RSP Surplus account on a monthly basis. Therefore, the IC will see no change in the base rate amounts they pay on their monthly bills. However, Hydro is proposing that the IC RSP rate be adjusted to reflect the December 2013 current RSP balance and a fuel rider based upon the 2013 Test Year. The proposed RSP Rules are included as Schedule B to the Application.

1 Hydro is requesting approval of the following:

- 2 i. Hydro's proposed IC 2013 Test Year base rates and phase-in rates as included in
3 Schedule A to the Application, on an interim basis, with effect from January 1, 2014;
4
- 5 ii. Hydro's proposed RSP methodology, included in Schedule B to the Application,
6 effective January 1, 2014 for funding the phase-in of IC rates using the IC RSP
7 Surplus, on an interim basis; and
8
- 9 iii. The annual IC RSP adjustment rate effective January 1, 2014, as included in Appendix
10 A.

11 Upon final Board approval of Test Year rates, Hydro proposes to recalculate the IC RSP
12 Surplus Balance and Hydro's revenues to reflect activity and balances, as if approval had
13 occurred effective January 1, 2014.²

² There will be no resulting change in the amounts charged to IC subsequent to January 1, 2014. The IC RSP Surplus will be adjusted for any changes resulting from approved rates.

3.0 DEFERRAL AND RECOVERY MECHANISM FOR OTHER CUSTOMERS

Hydro is seeking a deferral and recovery account so that it can have the opportunity to recover its costs and earn a reasonable return on rate base for 2014, as required by Section 80 of the Act. Such a deferral account will have to be implemented in the context of the RSP. The RSP adds a layer of complexity to the implementation of a deferral account. The Board's Order No. P.U. 40(2013) highlighted that "the proposals in the Interim Rates Application raise complex and comprehensive issues which in the Board's view should be addressed before interim rates are established."

Hydro's base rates are designed to collect the approved Test Year costs and the RSP is designed to adjust for variances that occur from its Test Year assumptions. Hydro believes that the essential elements of the RSP should be addressed in a deferral account order. For example, the load variation calculates the fuel impact of customer load variations from the Test Year, using Test Year costs and energy rates. These variances are shared among the customer groups therefore the calculations require that the same Test Year assumptions apply for all affected customers.

In order to implement a deferral account which works with the RSP in an orderly fashion, and to give consideration to the variation to Hydro's Interim Rates Application suggested in Newfoundland Power's RFI IR-NP-NLH-029, Hydro is requesting approval of the following:

- Use, on an interim basis, of Hydro's proposed 2013 Test Year values as the approved Test Year values in Hydro's Rate Stabilization Plan;
- Existing rates for all of Hydro's Rural Customers be made interim;
- Creation of a Revenue Variance Deferral and Recovery Account (Deferral Account) as defined in Appendix B;
- Commencing January 1, 2014, or commencing on such later date that rates are made interim for that class, revenue variances between existing and approved rates

- 1 be included in the Deferral Account with such variances to be recovered from
2 Hydro's customers;
- 3 • Recovery of the Deferral Account over a three-year period commencing once final
4 rates become effective;
- 5 • Effective January 1, 2014, the existing NP RSP Fuel Price Projection rider of 1.634¢
6 per kWh be applied to the Deferral Account rather than the RSP³, until approval of
7 final rates; and
- 8 • Continuation of the existing NP RSP adjustment of 1.101¢ per kWh related to its
9 current plan.

³ As the Deferral Account is calculated using 2013 Test Year base rates which include the 2013 Test Year fuel price, the collection of NP's existing fuel rider (which is based on the 2007 Test Year) should be applied against the Deferral Account.

To illustrate:

It is estimated that the NP RSP fuel rider will collect an amount of \$50 million over the period January 1, 2014 to June 30, 2014 for example. This amount would normally be credited to the RSP and would offset the higher cost of fuel which is also being accounted for in the RSP. However, Hydro proposes that it is necessary to use the 2013 Test Year values in the RSP calculations therefore it is not proper that the \$50 million fuel rider amount be credited to the RSP since the higher cost of fuel is reflected in the 2013 Test Year values.

If, however, there is a revenue shortfall deferral mechanism in place for the period January 1, 2014 to June 30, 2014, for example, the higher fuel cost of approximately \$50 million is reflected in the revenue shortfall balance to be collected from customers in the future. Hydro proposes that it would be proper that the \$50 million collected from the RSP fuel rider over January 1, 2014 to June 30, 2014 period be credited to the Deferral Account, offsetting the amount owing from customers in the future.

1 **4.0 RATE STABILIZATION PLAN**

2 As part of this Application, Hydro is also proposing that commencing January 1, 2014, on an
3 interim basis, the approved Test Year to be used for calculating the RSP will be the proposed
4 2013 Test Year. Upon approval of the final 2013 Test Year, the RSP calculations will be
5 adjusted accordingly effective January 1, 2014.

6 Hydro is requesting interim approval of the following:

- 7 • Use of the proposed 2013 Test Year values in the RSP; and
8 • The RSP rules to implement funding of the phase-in of the IC rates included in
9 Section F of the RSP Rules attached to this Application as Schedule B.

1 **5.0 CONCLUSION**

2 Hydro submits its revised proposal put forward in this Evidence represents a reasonable
3 solution to the complex issues of this particular GRA. Hydro submits this approach will
4 enable the phase-in of IC rates to continue along with the Government directed drawdown
5 of funds from the IC RSP Surplus amount as was contemplated in Orders in Council. Rates
6 for all remaining customers will not be adjusted until the GRA process is complete, allowing
7 for a full understanding of the rate design and cost of service implications and giving all
8 parties an opportunity for input prior to the final decision of the Board. Approval of the
9 2013 proposed Test Year for RSP calculations, with effect from January 1, 2014, will enable
10 the operation of the RSP in complex circumstances where both interim rates and a deferral
11 and recovery mechanism are employed. Finally, the revised proposal provides Hydro with
12 the opportunity to earn a return on rate base that is closer to that which results from the
13 Government directed ROE for the 2013 Test Year. As Hydro returns to the capital markets
14 in 2014 to fund its infrastructure renewal and new assets construction program estimated
15 at \$763 million over the 2014 to 2017 period, it is critical that it is in a sound financial
16 position.

APPENDIX A

Calculation of January 1, 2014 Industrial Customer RSP Rates

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN RECOVERY
January 1, 2014 Industrial Customer RSP Adjustment Rate

December, 2013

Line No	Calculation of Industrial Customer RSP Rate	Amount	Comments
	Current Plan		
1	December Balance	\$ 566,125	December RSP, Page 11
2	Forecast Financing Costs to December 31, 2014	\$ 23,528	Line 23
3	Total	\$ 589,653	Line 1 plus Line 2
4	12 months to date (Jan - Dec) Industrial Customer Sales (kWh)	divided by 351,353,424	December RSP, Page 6
5	(mills per kWh)	1.68	Line 3/Line 4*1000
	Fuel Price Projection Rider		
6	Industrial Fuel Price Projection	\$ (411,113)	Industrial Filing Oct 2013
7	12 months to date (Jan - Dec) Industrial Customer Sales (kWh)	divided by 351,353,424	December RSP, Page 6
8	(mills per kWh)	(1.17)	Line 6/Line 7*1000
9	Total Current Plan (mills per kWh)	0.51	Line 5 plus Line 8
	Industrial RSP Adjustment Rate	0.51	Line 9

Industrial Customer Forecast Financing Charges
2014

2013 Test Year Weighted Average Cost of Capital per annum			7.829%		
Nominal Financing Rate			7.561%		
		2013	Financing		Total
		Sales	Costs	Adjustment	To Date
		kWh			Balance
10	Balance Forward				566,125
11	January	31,612,740	3,567	(53,109)	516,583
12	February	25,864,750	3,255	(43,453)	476,385
13	March	30,955,597	3,002	(52,005)	427,381
14	April	32,198,035	2,693	(54,093)	375,981
15	May	31,721,670	2,369	(53,292)	325,058
16	June	27,547,154	2,048	(46,279)	280,827
17	July	21,332,877	1,769	(35,839)	246,757
18	August	29,286,623	1,555	(49,202)	199,110
19	September	28,595,423	1,255	(48,040)	152,324
20	October	24,799,284	960	(41,663)	111,621
21	November	33,552,362	703	(56,368)	55,957
22	December	33,886,909	353	(56,930)	(621)
23	Total	351,353,424	23,528	(590,274)	



Hydro Place, 500 Columbus Drive.
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 f. 709.737.1800
www.nlh.nl.ca

October 15, 2013

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Rate Stabilization Plan Fuel Price Projection – Industrial Customers

Order No. P.U. 14(2007) states that by the 10th working day of October, Hydro is to provide to the Board, to its Industrial Customers, and to Newfoundland Power an estimate of the Industrial Customer fuel rider that will become effective on January 1 of the coming year. The estimated fuel rider is to be based upon 12 months-to-date kWh sales to the end of September.

Due to the pending status of its 2013 General Rates Application for rates effective January 1, 2014, Hydro has provided the estimated fuel rider compared to both the 2007 Test Year (Schedule A) and 2013 Test Year (Schedule B) fuel price as summarized in the Table below.

	Fuel Rider (mills/kWh)	Forecast Fuel Price (\$Can/bbl)	Test Year Fuel Price (\$Can/bbl)	Difference (\$Can/bbl)
2007 Test Year	14.85	104.75	55.40	49.35
2013 Test Year	(1.17)	104.75	108.70	(3.95)

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Geoffrey P. Young
Senior Legal Counsel

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales

Thomas Johnson – Consumer Advocate
Thomas O'Reilly, QC – Cox & Palmer

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line

No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2007 Test Year Fuel Forecast Price	\$ 55.40	
3	Forecast Fuel Price Variance	\$ 49.35	Line 1 - Line 2
4	2007 Test Year No. 6 Barrels Consumed	1,878,188	
5	Forecast Fuel Variance	\$ 92,688,578	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ 5,236,905	Line 5 x Line 6

Calculation of Customer Allocation		kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.46%	93.56%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider		Amount	Comments
<u>Rate Rider</u>			
12	Industrial Allocation	\$ 5,236,905	From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	14.85	Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$5,236,905 is established as calculated above.

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
2014 January	105.70
February	102.00
March	101.40
April	100.00
May	98.20
June	99.90
July	101.50
August	102.80
September	103.30
October	103.90
November	101.50
December	98.00
Average \$Cdn/bbl ⁽²⁾	101.50
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line

No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2013 Test Year Fuel Forecast Price	\$ 108.70	
3	Forecast Fuel Price Variance	\$ (3.95)	Line 1 - Line 2
4	2013 Test Year No. 6 Barrels Consumed	1,842,112	
5	Forecast Fuel Variance	\$ (7,276,342)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ (411,113)	Line 5 x Line 6

Calculation of Customer Allocation			kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales		5,433,230,398	87.10%	6.43%	93.53%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales		352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy		452,270,963	7.25%	-7.25%	0.00%
11	Total		6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider
Rate Rider

	Amount	Comments
12	Industrial Allocation	\$ (411,113) From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876 From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	(1.17) Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$-411,113 is established as calculated above.

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

		\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾		
2014 January		105.70
February		102.00
March		101.40
April		100.00
May		98.20
June		99.90
July		101.50
August		102.80
September		103.30
October		103.90
November		101.50
December		98.00
Average \$Cdn/bbl ⁽²⁾		101.50
NLH Test Year Contract Discount (\$US/bbl)		<u>(0.218)</u>
		\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾		<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾		<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

APPENDIX B

Revenue Shortfall Deferral Account Definition

Revenue Shortfall Account Definition

This account shall be charged with the difference between revenue at approved 2013 Test Year Rates and billed revenue at existing rates for all regulated customers except Island Industrial Customers. A sub-account will be established for each of Hydro's systems.

Tab 3

IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the Act) and regulations thereunder;

AND IN THE MATTER OF an amended application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the Act, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

TO: The Board of Commissioners of Public Utilities (the Board)

THE AMENDED APPLICATION OF NEWFOUNDLAND AND LABRADOR HYDRO (Hydro) STATES THAT:

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the Act and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Section 70 of the Act provides that a public utility shall not charge, demand, collect or receive compensation for a service performed by it until the Board has approved a schedule of rates, tolls and charges for the services provided by the public utility.
3. On July 30, 2013, Hydro filed a General Rate Application (GRA) with the Board.
4. The GRA proposes, amongst other things, that the Board approve a change in rates to Hydro's customers, based upon the 2013 Test Year, effective January 1, 2014, as follows:

- (a) 2013 Test Year based rates for Newfoundland Power;
 - (b) 2013 Test Year based rates for Island Industrial Customers;
 - (c) 2013 Test Year based rates for Rural Labrador Interconnected Customers;
 - (d) 2013 Test Year based rates for government customers in Isolated Systems;
 - (e) Removal of the deferral of the 2007 rate increase for the non-lifeline rates for customers on the Isolated Systems; and
 - (f) Newfoundland Power based rate changes for Hydro's Rural Customers on the Island Interconnected, L'Anse au Loup and Isolated Systems.
5. On July 30, 2013 Hydro filed an application with respect to the Rate Stabilization Plan (RSP), based upon direction received from the Government, which proposed, among other things, a phase-in of 2013 GRA-based rates to Industrial Customers.
6. In Orders No. P.U. 26(2013) and P.U. 29(2013) the Board approved certain items relating to the direction from Government but did not approve the RSP rules related to the phase-in of rates for the Industrial Customers.
7. By Order No. P.U. 28(2013), the Board established, amongst other things, a schedule for the 2013 General Rate Application which provides for the commencement of public hearings of the Application on February 11, 2014. This schedule is expected to be revised and a further Procedural Order may be made at a later time.

8. In Order No. P.U. 40(2013), the Board modified the RSP rules to suspend the operation of the January 1, 2014 RSP adjustment for Industrial Customers. Prior to that Order, the RSP rules required that an RSP adjustment be made for Industrial Customers to reflect the September 2013 fuel price forecast.
9. The Board was not reasonably in a position to make the necessary determinations on the 2013 General Rate Application in a time which would have permitted Hydro to implement a change in customer rates on January 1, 2014. If Hydro is unable to implement a final change in rates in a timely manner, or a final change in rates which, through a deferral and recovery account or similar means, has effect from early in 2014 through an interim order, it will be deprived of the opportunity to recover its costs, including a reasonable return on rate base for 2014 as required by Section 80 of the *Act*.
10. Section 75 of the *Act* provides that the Board may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls and charges submitted by a public utility upon the terms and conditions that it may decide. A public hearing of this Application is therefore not necessary.
11. Hydro repeats the foregoing and applies for the approval, on an interim basis, of present rates for all classes of Hydro's Rural Customers so that Hydro may obtain an order for a deferral and recovery mechanism, or such other order as the Board may grant, whereby

it would defer any revenue shortfall between interim rates and the rates to be approved on a final basis, with such shortfall to be recovered from customers over a period of time to be approved by the Board. Hydro's rates charged to Newfoundland Power are interim at present pursuant to Order No. P.U. 39(2010); Hydro's rates charged to Industrial Customers are interim at present pursuant to Order No. P.U. 20(2013); and the Rate Stabilization Plan Rules are interim at present pursuant to Order No. P.U. 32(2013).

12. Included in Hydro's proposals under this Amended Application is that Hydro calculate its RSP in relation to its proposed 2013 Test Year. Newfoundland Power's current RSP rates include a Newfoundland Power RSP Fuel Price Projection (fuel rider) of 1.634¢ per kWh which was calculated in relation to the 2007 Test Year fuel price of \$55.40 rather than the proposed 2013 Test Year fuel price of \$108.70. Since Hydro is not proposing that a change to Newfoundland Power's rates be made at this time, application of the fuel rider would, by June 30, 2014, result in a credit of approximately \$50 million in Newfoundland Power's current RSP. Hydro is proposing that the fuel rider monthly adjustments be held separately from the current RSP for a disposition upon a final Order. It is appropriate that the deferral account balance not be overstated due to the collection of current fuel costs inherent in the 2013 Proposed Test Year rates; those costs are already being recovered through the fuel rider.

13. Hydro is proposing that its proposed 2013 Test Year be used on an interim basis for Hydro's RSP calculations. This is required to facilitate the implementation of interim rates for one group of Island Interconnected customers (Industrial Customers) and a deferral mechanism for the other groups (Newfoundland Power and Rural Customers).
14. Hydro now makes application that the Board make:
 - (a) an interim Order pursuant to Section 75 of the *Act*, approving
 - (i) the schedule of rates, tolls and charges for Island Interconnected Industrial Customers set out in Schedule A to this Amended Application to be effective on and after January 1, 2014, until superseded by a final order of the Board in the matter of the Application;
 - (ii) changes to the RSP rules, as set out in Schedule B of this Application to:
 - (1) implement the phase-in of Industrial Customer rates, in accordance with direction provided by the Government;
 - (2) segregate, within the RSP, amounts collected by Hydro through NP's current Fuel Price Projection rider of 1.634 cents/kWh until a further order of the Board on the matter;
 - (3) remove the Board's suspension of January 1, 2014 RSP changes to the Industrial Customers;
 - (4) include in the RSP rules specific references to the proposed 2013 Test Year;

- (iii) an Order pursuant to Section 70 of the Act approving a deferral mechanism whereby Hydro would defer any revenue shortfall between interim and final rates with such deferral to be dealt with when final rates become effective;
 - (iv) on an interim basis, present rates for all classes of Hydro's Rural Customers as set out in Schedule C;
 - (v) use, on an interim basis, of Hydro's proposed 2013 Test Year values as the approved Test Year values in Hydro's Rate Stabilization Plan;
 - (vi) the RSP rate to be charged by Hydro to Island Interconnected Industrial Customers as calculated in Appendix B of the evidence filed with the Application and as set out in Schedule A to this Application, to be effective for electrical consumption on or after January 1, 2014; and
- (b) Such further or other matters as may appear just and reasonable in the circumstances.

DATED AT St. John's in the Province of Newfoundland and Labrador this 11 day of February 2014.



Tracey L. Pennell
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
Telephone: (709) 737-6671
Facsimile: (709) 737-1782

IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the *Act*) and regulations thereunder;

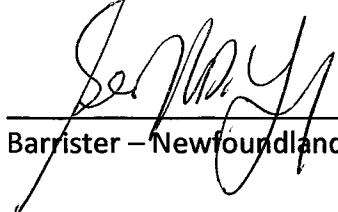
AND IN THE MATTER OF an amended application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the *Act*, for the approval of customer electricity rates for 2014 on an interim basis or, in the alternative, for a deferral and recovery mechanism.

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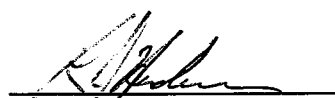
I, Robert J. Henderson, Professional Engineer, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice-President of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.
2. I have read and understand the foregoing Application.
3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the)
Province of Newfoundland and)
Labrador)
this 11th day of February 2014,)
before me:)



Barrister – Newfoundland and Labrador



Robert J. Henderson

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY (INTERIM)

Availability:

This rate is applicable to service to Newfoundland Power (NP).

Definitions:

"Billing Demand"

In the Months of January through March, billing demand shall be the greater of:

- (a) the highest Native Load less the Generation Credit, beginning in the previous December and ending in the current Month; and
- (b) the Minimum Billing Demand.

In the Months of April through December, billing demand shall be the greater of:

- (a) the Weather-Adjusted Native Load less the Generation Credit, plus the Weather Adjustment True-up; and
- (b) the Minimum Billing Demand.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	80,104
Thermal Generation Credit	<u>37,826</u>
Total Generation Credit	117,930

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, Newfoundland Power will be provided an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

“Maximum Native Load” means the maximum Native Load of NP in the four-Month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

“Native Load” is the sum of:

- (a) the amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen minute period thereafter; and
- (b) the total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load plus (Weather Adjustment, rounded to 3 decimal places, x 1000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- (a) the greater of:
 - the Weather Adjusted Native Load less the Generation Credit, times three; and
 - the Minimum Billing Demand, times three; and
- (b) the sum of the actual billed demands in the Months of January, February and March of the current year.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY (INTERIM) (continued)

Monthly Rates:

Billing Demand Charge:

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

\$4.00 per kW of billing demand

Energy Charge:

First 280,000,000 kilowatt-hours* @ 3.246 ¢ per kWh

All excess kilowatt-hours* @ 8.805 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by

Corner Brook Pulp and Paper Limited* @ 0.841 ¢ per kWh

RSP Adjustment:

Current Plan@ (1.101) ¢ per kWh

Fuel Rider @ 1.634 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ 0.533 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses:

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering, shall be applied to the metered demand.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

Weather Adjustment: This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- (a) Weather adjustment shall be undertaken for NP's actual Maximum Native Load.
- (b) Weather adjustment shall be derived from Hydro's NP native peak demand model.
- (c) By September 30th of each year, Hydro shall provide NP with updated weather adjustment coefficient incorporating the latest year of actuals.
- (d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weight regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, Environment Canada's weather data and/or wind chill formulation.
- (e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition on underlying weather data.
- (f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of Weather-Adjusted Native Load by April 5th of each year.

General:

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach mutual agreement, the billing will be based on Hydro's best estimate.

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – FIRM (INTERIM)

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$9.13 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate* @ 4.782 ¢ per kWh

RSP Adjustment:

Current Plan @ 0.168 ¢ per kWh

Fuel Rider @ (0.117) ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ 0.051 ¢ per kWh

Net Energy Rate @ 4.833 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Specifically Assigned Charges:

The table below contains the additional specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$944,954
North Atlantic Refining Limited	\$101,748
Teck Resources Limited	\$215,009
Vale Newfoundland and Labrador Inc	\$533,724

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM (INTERIM) (continued)

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

Phase-In Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.68 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate* @ 3.676 ¢ per kWh

RSP Adjustment @ 0.00 ¢ per kWh**

**** Exceptions:**

Teck Resources Limited RSP Adjustment@ (1.111) ¢ per kWh

Net Energy Rate@ 3.676 ¢ per kWh***

***** Exceptions:**

Teck Resources Limited Net Energy Rate @ 2.565 ¢ per kWh

Specifically Assigned Charges:

The table below contains the additional specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Teck Resources Limited	\$ 186,169
Vale Newfoundland and Labrador Inc	\$ 0

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL – NON-FIRM (INTERIM)

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2012 (3.36%)

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 612 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2G

DOMESTIC DIESEL

GOVERNMENT DEPARTMENTS (INTERIM)

Removed and replaced with Page DSL-G-1 in Schedule C

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1G

GENERAL SERVICE DIESEL 0-10 kW

GOVERNMENT DEPARTMENTS (INTERIM) (continued)

Removed and replaced with Page DSL-G-2 in Schedule C

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2G

GENERAL SERVICE DIESEL OVER 10 kW

GOVERNMENT DEPARTMENTS (INTERIM) (continued)

Removed and replaced with Page DSL-G-3 in Schedule C

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 4.1G

STREET AND AREA LIGHTING SERVICE DIESEL

GOVERNMENT DEPARTMENTS (INTERIM) (Continued)

Removed and replaced with Page DSL-G-4 in Schedule C

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro) is established for Hydro's Utility customer, Newfoundland Power, and Island Industrial customers to smooth rate impacts for variations between actual results and Test Year Cost of Service estimates for:

- hydraulic production;
- No. 6 fuel cost used at Hydro's Holyrood generating station;
- customer load (Utility and Island Industrial); and
- rural rates.

The formulae used to calculate the Plan's activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

Section A: Hydraulic Production Variation

1. Activity:

Actual monthly production is compared with the Test Year Cost of Service Study in accordance with the following formula:

$$\{(A - B) \div C\} \times D$$

Where:

- A = 2013 Proposed Test Year Cost of Service Net Hydraulic Production (kWh)
- B = Actual Net Hydraulic Production (kWh)
- C = 2013 Proposed Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)
- D = 2013 Proposed Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

2. Financing:

Each month, financing charges, using Hydro's 2013 Proposed Test Year weighted average cost of capital, will be calculated on the balance.

3. Hydraulic Variation Customer Assignment:

Customer assignment of hydraulic variations will be performed annually as follows:

$$(E \times 25\%) + F$$

Where:

- E = Hydraulic Variation Account Balance as of December 31, excluding financing charges
- F = Financing charges accumulated to December 31

The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.

4. Customer Allocation:

The annual customer assignment will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the 2013 Proposed Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances respectively as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration

1. Activity

1.1 Fuel Cost Variations

This is based on the consumption of No. 6 Fuel at the Holyrood Generating Station:

$$(G - D) \times H$$

Where:

D = Monthly 2013 Proposed Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

G = Monthly Actual Average No. 6 Fuel Cost (\$Can /bbl.)

H = Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)

1.2 Load Variations

Firm: Firm load variation is comprised of fuel and revenue components. The load variation is determined by calculating the difference between actual monthly sales and the Test Year Cost of service Study sales, and the resulting variance in No. 6 fuel costs and sales revenues. It is calculated separately for Newfoundland Power firm sales and Industrial firm sales, in accordance with the following formula:

$$(I - J) \times \{(D \div C) - K\}$$

Where:

C = 2013 Proposed Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)

D = Monthly 2013 Proposed Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

I = Actual Sales, by customer class (kWh)

J = 2013 Proposed Test Year Cost of Service Sales, by customer class (kWh)

K = Firm energy rate, by customer class

Secondary: Secondary load variation is based on the revenue variation for Utility Firmed-Up Secondary energy sales compared with the Test Year Cost of Service Study, in accordance with the following formula:

$$(J - I) \times L$$

Where:

I = Actual Sales (kWh)

J = 2013 Proposed Test Year Cost of Service Sales (kWh)

L = Secondary Energy Firming Up Charge

1.3 Rural Rate Alteration

(a) Newfoundland Power Rate Change Impacts:

This component is calculated for Hydro's rural customers whose rates are directly or indirectly impacted by Newfoundland Power's rate changes, with the following formula:

$$(M - N) \times O$$

Where:

M = 2013 Proposed Cost of Service rate

N = 2013 Proposed rate

O = Actual Units (kWh, bills, billing demand)

2. Monthly Customer Allocation: Load and Fuel Activity

Each month, the load variation will be held in a separate account in the Plan, until its disposition is ordered by the Board of Commissioners of Public Utilities.

Each month, the year-to-date total for fuel price variation will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The year-to-date portion of the fuel price variation which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the 2013 Proposed Test Year Cost of Service Study.

The current month's activity for Newfoundland Power, Island Industrials and regulated Labrador Interconnected customers will be calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month. The current month's activity allocated to regulated Labrador Interconnected customers will be removed from the Plan and written off to Hydro's net income (loss).

3. Monthly Customer Allocation: Rural Rate Alteration Activity

Each month, the rural rate alteration will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the 2013 Proposed Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the Plan and written off to Hydro's net income (loss).

4. Plan Balances

Separate plan balances for Newfoundland Power, the Island Industrial customer class and the segregated load variation will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's 2013 Proposed Test Year weighted average cost of capital.

Section C: Fuel Price Projection

A fuel price projection will be calculated to anticipate forecast fuel price changes and to determine fuel riders for the rate adjustments. For industrial customers, this will occur in October each year, for inclusion with the RSP adjustment effective January 1. For Newfoundland Power, this will occur in April each year, for inclusion with the RSP adjustment effective July 1.

1. Industrial Fuel Price Projection:

In October each year, a fuel price projection for the following January to December shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(S - T) \times U] - V \times W$$

Where:

- S = the September month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following January to December
T = Hydro's average 2013 Proposed Test Year contract discount (US \$/bbl)
U = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of September
V = average 2013 Proposed Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the 2013 Proposed Test Year

The industrial customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of September and is the ratio of Industrial Firm invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 10th working day of October.

2. Newfoundland Power Fuel Price Projection:

In April each year, a fuel price projection for the following July to June shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate.

The calculation for the projection is:

$$[(X - T) \times Y - V] \times W$$

Where:

- T = Hydro's average 2013 Proposed Test Year contract discount (US \$/bbl)
V = average 2013 Proposed Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the 2013 Proposed Test Year
X = the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following July to December, and the most recent long-term PIRA Energy Group average annual forecast for No. 6 fuel prices at New York Harbour for the following January to June
Y = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of March

The Newfoundland Power customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of March and is the ratio of Newfoundland Power Firm and Firmed-Up Secondary invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of the resulting fuel rider applied to the adjustment rate will be reported to Newfoundland Power, industrial customers, and the Public Utilities Board, by the 10th working day of April.

Section D: Adjustment

1. Newfoundland Power

As of March 31 each year, Newfoundland Power's adjustment rate for the 12-month period commencing the following July 1 is determined as the rate per kWh which is projected to collect:

Newfoundland Power March 31 Balance

less projected recovery / repayment of the balance for the following three months (if any),
 estimated using the energy sales (kWh) for April, May and June from the previous year

plus forecast financing charges to the end of the 12-month recovery period (i.e., June in the
 following calendar year),

divided by the 12-months-to-date firm plus firmed-up secondary kWh sales to the end of March.

A fuel rider shall be added to the above adjustment rate, based on the Newfoundland Power Fuel Price Projection amount (as per Section C.2 above) divided by 12-months-to-date kWh sales to the end of March.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

1.1 Effective January 1, 2014, the fuel rider portion of the Newfoundland Power RSP Adjustment then in effect will be accumulated as a separate balance within the RSP, including monthly financing, until its disposition is ordered by the Board.

2. Island Industrial Customers

As of December 31 each year, the adjustment rate for industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance

plus forecast financing charges to the end of the following calendar year,
divided by 12-months-to-date kWh sales to the end of December.

A fuel rider shall be added to the above adjustment rate, based on the Industrial Fuel Price Projection (as per Section C.1 above) amount divided by 12-months-to-date kWh sales to the end of December.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values. Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

Section E: Historical Plan Balances:

1. August 2002 Balance:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at August 2002 will be recovered over a 5-year collection period, with adjustment rates established each December 31, commencing December 31, 2002. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year annual weighted average cost of capital.

Newfoundland Power

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$A = (B - C + D) \div E \div F$$

Where:

- A = adjustment rate (\$ per kWh) for the 12-month period commencing the following July 1.
- B = Balance December 31
- C = projected recovery to the following June 30 (if any), estimated using the most recent energy sales (kWh) for the period January to June
- D = projected financing charges to the following June 30
- E = number of years remaining in the adjustment period
- F = energy sales (kWh) (firm and firmed-up secondary) to Newfoundland Power for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

Island Industrial Customers, excluding Teck Cominco Limited [Exempted pursuant to Order No. P.U. 1(2007)]

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$G = H \div I \div J$$

Where:

- G = adjustment rate (\$ per kWh) for the 12-month period commencing the following January 1.
- H = Balance December 31
- I = number of years remaining in the adjustment period
- J = firm energy sales (kWh) to Industrial Customers, excluding sales to Teck Cominco Limited, for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

2. RSP Balance, December 31, 2003:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at December 31, 2003 will be consolidated with the outstanding August 2002 customer balances as of December 31, 2003, and will be included with the Newfoundland Power and Island Industrial customer balances respectively for rate-setting purposes as of December 31, 2003.

Section F: RSP Surplus:

1. August 31, 2013 Balance:

The net load variation for Newfoundland Power and the Industrial Customers from January 1, 2007 to August 31, 2013, including financing (the RSP Surplus), will be removed from the respective customer class balance, and allocated based upon direction provided by Government in Orders in Council OC2013-089 and OC2013-207. The balances which remain after this amount is removed will form the adjusted August 31, 2013 current plan balances for each customer class.

The Industrial Customer class allocated amount will be used, firstly, to reduce the Industrial Customer class adjusted August 31, 2013 RSP balance to zero. The remaining Industrial Customer class allocated amount will be segregated until its disposition is ordered by the Board of Commissioners of Public Utilities.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.111) ¢ per kWh, approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013), shall be segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

The Newfoundland Power allocated amount of the RSP Surplus will be segregated held until such

time as its disposition occurs in accordance with an Order of the Board of Commissioners of Public Utilities through a refund in accordance with Order in Council OC2013-089.

2. Plan Balances

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's 2013 Proposed Test Year weighted average cost of capital.

3. Island Industrial Customer RSP Surplus Balance:

The RSP Surplus balance allocated to the Industrial Customer class will be used to fund a phase-in of new Industrial Customer base rates effective September 1, 2013 using monthly adjustments determined as follows:

3.1 Island Industrial Customers excluding Teck Resources

The monthly adjustment for each month from September 1, 2013 to August 31, 2015 will be determined for each billing component (demand, energy and specifically assigned charge) for each Industrial Customer, except Teck Resources, as follows:

$$A = (B - C) \times D$$

Where:

- A = Monthly RSP Adjustment
- B = Approved Island Industrial Customer base rate
- C = Phase-In Industrial Customer rate
- D = Actual monthly Industrial Customer billing units

Phase-In Industrial Customer Rates – September 1, 2013 to August 31, 2014

The Phase-In Industrial Customer rates will be calculated for each of demand, energy, and each customer's specifically assigned charges. For Industrial Customers, except Teck Resources, the phase-in rates for the twelve months commencing September 1, 2013 will be the base rates approved in Hydro's 2007 Test Year. These rates are:

Demand Charge: \$6.68 per month per kilowatt of billing demand
Firm Energy Charge: Base Rate 3.676 ¢ per kWh

Specifically Assigned Charges:	Annual Amount
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
	\$ 498,143

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1 (INTERIM)

DOMESTIC

Availability:

For Service on the Island Interconnected system and the L'Anse au Loup system to a Domestic Unit or to buildings or facilities which are on the same Served Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:

Not Exceeding 200 Amp Service.....	\$15.68 per month
Exceeding 200 Amp Service.....	\$20.68 per month

Energy Charge:

All kilowatt-hours @ 10.945 ¢ per kWh

Minimum Monthly Charge:

Not Exceeding 200 Amp Service.....	\$15.68 per month
Exceeding 200 Amp Service.....	\$20.68 per month

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1S (INTERIM)

DOMESTIC - OPTIONAL

Availability:

Available upon request for Service on the Island Interconnected system and the L'Anse au Loup system to Customers served under Rate 1.1 Domestic Service who have a minimum of 12 months of uninterrupted billing history at their current Serviced Premises.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

The Energy Charges provided for in Rate 1.1 Domestic Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):

All kilowatt-hours @ 0.953¢ per kWh

Non-Winter Season Premium Adjustment (Billing months of May through November):

All kilowatt-hours @ (1.297)¢ per kWh

Special Conditions:

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require an adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.3 (INTERIM)

BURGEO SCHOOL AND LIBRARY

Availability:

For Service to Burgeo School and Library.

Rate:

Energy Charge:

All kilowatt-hours@5.572¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE No. 2.1 (INTERIM)
GENERAL SERVICE 0 - 100 kW (110 kVA)

Availability¹:

For Service (excluding Domestic Service) on the Island Interconnected system and the L'Anse au Loup system where the maximum demand occurring in the 12 months ending with the current month is less than 100 kilowatts (110 kilovolt-amperes).

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$21.91 per month

Demand Charge:

\$8.68 per kW of billing demand in the months of December, January, February and March and \$6.18 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month in excess of 10 kW.

Energy Charge:

First 3,500 kilowatt-hours @ 10.927 ¢ per kWh
All excess kilowatt-hours @ 8.336 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge, but not less than Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase \$21.91 per month
Three Phase: \$36.00 per month

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

¹ This rate is also available to fish plants in Isolated Rural Systems with a connected load of 30kW or greater.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.3 (INTERIM)

GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

Availability¹:

For Service on the Island Interconnected system and the L'Anse au Loup system where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$50.02 per month

Demand Charge:

\$7.54 per kVA of billing demand in the months of December, January, February and March and \$5.04 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kVA of billing demand,

up to a maximum of 50,000 kilowatt-hours @ 9.649 ¢ per kWh

All excess kilowatt-hours @ 7.878 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

¹ This rate is also available to fish plants in Isolated Rural Systems with a connected load of 30kW or greater.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.4 (INTERIM)

GENERAL SERVICE 1000 kVA AND OVER

Availability¹:

For Service on the Island Interconnected system and the L'Anse au Loup system where the maximum demand occurring in the 12 month period ending with the current month is 1000 kilovolt-amperes or greater.

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$85.03 per month

Billing Demand Charge:

\$7.12 per kVA of billing demand in the months of December, January, February and March and \$4.62 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 75,000 kilowatt-hours @ 9.126 ¢ per kWh

All excess kilowatt-hours @ 7.644 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

¹ This rate is also available to fish plants in Isolated Rural Systems with a connected load of 30kW or greater.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1 (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service on the Island Interconnected system and the L'Anse au Loup system, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate: (Including Municipal Tax and Rate Stabilization Adjustment)

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$21.31
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	16.83
150W (14,400 lumens)	21.31
250W (23,200 lumens)	30.34
400W (45,000 lumens)	41.98

¹ For all new installations and replacements.

Special poles used exclusively for lighting service

Wood..... \$7.23

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 1.2D (INTERIM)

DOMESTIC DIESEL

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments) for service to a domestic unit or to buildings or facilities which are on the same Serviced premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately. All churches, schools, and community halls in the diesel service areas are also subject to this rate.

Rate: (Including Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$15.68 per month
Exceeding 200 Amp Service: \$20.68 per month

Energy Charge:

First Block (See Table Below) kilowatt-hours per month @ 10.945 ¢ per kWh

Second Block (See Table Below) kilowatt-hours per month @ 12.373 ¢ per kWh

All kWh over 1000 kilowatt-hours per month @ 16.776 ¢ per kWh

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
<i>First Block</i>	1000	1000	900	900	800	800	700	700	700	800	900	1000
<i>Second Block</i>	0	0	100	100	200	200	300	300	300	200	100	0

Minimum Monthly Charge..... \$15.68

Exceeding 200 Amp Service: \$20.68

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

Rate Stabilization Clause:

This Rate is subject to the Rate Stabilization Adjustment arising from the operation of the Rate Stabilization Clause which forms part of the Schedule of Rates.

Municipal Tax Clause:

This Rate is subject to the Municipal Tax Adjustment arising from the operation of the Municipal Tax Clause which forms part of the Schedule or Rates.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2DS (INTERIM)

DOMESTIC DIESEL (Non-Government First Block) - OPTIONAL

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments), available upon request for Service to Customers served under Rate 1.2 Domestic Diesel Service (First Block consumption only) who have a minimum of 12 months of uninterrupted billing history at their current Served Premises.

Rate:

The Energy Charges provided for in Rate 1.2D Domestic Diesel Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):

First Block Only

All kilowatt-hours @ 0.953¢ per kWh

Non-Winter Season Premium Adjustment (Billing months of May through November):

First Block Only

All kilowatt-hours @ (1.297)¢ per kWh

Special Conditions:

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require an adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.1D (INTERIM)

GENERAL SERVICE DIESEL 0-10 kW

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments) for non-domestic services where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge: \$19.64 per month

Energy Charge:

All kilowatt-hours @ 16.738 ¢ per kWh

Minimum Monthly Charge: Single Phase..... \$19.64

Three Phase \$36.01

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2D (INTERIM)

GENERAL SERVICE DIESEL OVER 10 kW

Availability:

For all the Island and Labrador diesel service areas of Hydro (excluding Government Departments) for non-domestic services where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge: \$28.87 per month

Demand Charge:

The maximum demand registered on the meter in the current month..... @ \$12.82 per kW

Energy Charge:

All kilowatt-hours..... @ 16.290¢ per kWh

Minimum Monthly Charge: Single Phase..... \$28.87

Three Phase \$62.96

Discount:

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1D (INTERIM)

STREET AND AREA LIGHTING SERVICE DIESEL

Availability:

For Street and Area Lighting Service (excluding Government Departments) throughout the Island and Labrador diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate: (Including Municipal Tax and Rate Stabilization Adjustment)

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$21.31
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	16.83
150W (14,400 lumens)	21.31
250W (23,200 lumens)	30.34
400W (45,000 lumens)	41.98

¹ For all new installations and replacements.

Special poles used exclusively for lighting service

Wood..... \$7.23

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2G (INTERIM)

DOMESTIC DIESEL

GOVERNMENT DEPARTMENTS

Availability:

For Service to Government Departments throughout the Island and Labrador diesel service areas of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate:

Basic Customer Charge \$41.03 per month

Energy Charge:

All kilowatt-hours @ 78.10 ¢ per kWh

Minimum Monthly Charge..... \$41.03

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1G (INTERIM)

GENERAL SERVICE DIESEL 0-10 kW

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge \$44.82 per month

Energy Charge:

All kilowatt-hours @ 69.701¢ per kWh

Minimum Monthly Charge..... \$44.82

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2G (INTERIM)

GENERAL SERVICE DIESEL OVER 10 KW

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge: \$66.37 per month

Demand Charge:

The maximum demand registered on the meter in the current month..... @ \$53.68 per kW

Energy Charge:

All kilowatt-hours..... @ 49.554 ¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 4.1G (INTERIM)

STREET AND AREA LIGHTING SERVICE DIESEL

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Street and Area Lighting Service to Government Departments throughout the Island and Labrador Diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$63.95
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	51.80
150W (14,400 lumens)	63.95

¹ Only High Pressure Sodium fixtures are available for all new installations and replacements.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1L (INTERIM)

DOMESTIC

Availability:

For Service throughout the Labrador Interconnected service area of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate:

Basic Customer Charge: \$7.15 per month

Energy Charge:

All kilowatt-hours @ 3.280 ¢ per kWh

Minimum Monthly Charge..... \$7.15

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1L (INTERIM)

GENERAL SERVICE 0 - 10 kW

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge: \$10.45 per month

Energy Charge:

All kilowatt-hours @ 5.240 ¢ per kWh

Minimum Monthly Charge: Single Phase..... \$10.45

Three Phase..... \$20.00

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.2L (INTERIM)

GENERAL SERVICE 10 - 100 kW (110 kVA)

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater but less than 100 kilowatts (110 kilovolt-amperes).

Rate:

Demand Charge:

The maximum demand registered on the meter in the current month @ \$2.20 per kW

Energy Charge:

All kilowatt-hours..... @ 2.433 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to \$1.05 per kW of maximum demand occurring in the 12 months ending with the current month, but not less than \$20.00 for a three phase service.

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE No. 2.3L (INTERIM)
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate:

Demand Charge:

The maximum demand registered on the meter in the current month @ \$2.00 per kVA

Energy Charge:

All kilowatt-hours..... @ 2.103 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to \$1.05 per kVA of maximum demand occurring in the 12 months ending with the current month.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.4L (INTERIM)

GENERAL SERVICE 1000 kVA AND OVER

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 month period ending with the current month is 1000 kilovolt-amperes or greater.

Rate:

Billing Demand Charge:

The maximum demand registered on the meter in the current month @ \$1.75 per kVA

Energy Charge:

All kilowatt-hours..... @ 1.733 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to \$1.05 per kVA of maximum demand occurring in the 12 months ending with the current month.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1L (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR¹	
250W (9,400 lumens)	\$ 13.50
HIGH PRESSURE SODIUM ²	
100W (8,600 lumens)	10.00
150W (14,400 lumens)	13.50
250W (23,200 lumens)	17.80
400W (45,000 lumens)	23.00

¹ Fixtures previously owned by the Town of Wabush as of September 1, 1985, and transferred to Hydro in 1987.

² Only High Pressure Sodium fixtures are available for all new installations and replacements installed after September 1, 2002.

Special poles used exclusively for lighting service

Wood\$ 3.40

General:

Details regarding conditions of service are provided in the Rules and Regulations.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.11L (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro existing as of September 1, 2002.

Monthly Rate:

	SENTINEL / STANDARD
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	\$ 6.75

¹ Any new fixtures added will be at the rates set out in Rate 4.1W.

Special poles used exclusively for lighting service

Wood\$ 3.25

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.12L (INTERIM)

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by the customer.

Monthly Rate:

	SENTINEL / STANDARD
HIGH PRESSURE SODIUM	
100W (8,600 lumens)	\$ 4.10

Special poles used exclusively for lighting service

Wood\$ 3.40

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 5.1L (INTERIM)

SECONDARY ENERGY

Availability:

For Service to Customers on the Labrador Interconnected grid engaged in fuel switching who purchase a minimum of 1 MW load and a maximum of 24 MW, who provide their own transformer and, who are delivered power at primary voltages. Hydro shall supply Secondary Energy to the Customer at such times and to the extent that Hydro has Churchill Falls electricity available in excess of the amount it requires for its own use, and to meet its commitments and sales opportunities, present and future, for firm energy. Moreover, Hydro may interrupt or reduce the supply of Secondary Energy at its sole discretion for any cause whatsoever. The energy delivered shall be used solely for the operation of the equipment engaged in fuel switching.

Energy Charge:

The energy charge shall be calculated monthly based on:

EITHER:

- A. The Customer's cost of fuel (cents per litre) most recently delivered to the Customer including fuel additives, if any, in accordance with the following formula:

Secondary Energy Rate = Constant Factor x Fuel Cost/Litre x 90%

$$\text{Constant Factor} = \frac{3413 \text{ BTU/kWh} \times A \times B}{C \times D}$$

Where:

A = Customer's Electric Boiler Efficiency

B = Transformer and Losses Adjustment Factor

C = BTU/Litre of the Customer's fuel

D = Customer's Oil-fired Boiler Efficiency

OR:

- B. One (1) cent less than the New York Mercantile Exchange (NYMEX) settlement price for New York Independent System Operator (NYISO) Zone A Swap Peak electricity after the end of trading on the 19th day of the previous month, converted to Canadian dollars using the exchange rate at the closing of the same day.

WHICHEVER IS GREATER

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 5.1L (INTERIM)

SECONDARY ENERGY

Prior to the commencement of service, the Customer will provide to Hydro the rate component values for insertion in the pricing formula for Secondary Energy. If subsequent changes to any of these rate components are required, the Customer will provide them to Hydro as soon as practicable. Hydro may require that these rate component values be verified.

Communications

The Customer and Hydro shall each designate a position within their respective staffs to be responsible for communications as to changes in the cost of the fuel delivered to the Customer. Hydro will contact the Customer's designate on or before the second working day of each month at which time the Customer's designate will inform Hydro of the fuel cost. If this information is unavailable to Hydro for any reason, Hydro will use the previous month's fuel cost and other inputs and make the adjustment to the correct values in the following month's billing.

Hydro will inform the Customer of the value of part B of the energy charge calculation on the first business day following the 21st day of the month preceding the month for which the rate is being set.

Power Factor

If the Customer's power factor is lower than 90%, the Customer shall upon written notice by Hydro provide, at the Customer's expense, power factor corrective equipment to ensure that a power factor of not less than 90% is maintained.

General:

Insofar as they are not inconsistent with the forgoing, the conditions of service provided in the Rules and Regulations shall apply to Customers in this rate class.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

Interim Rates Evidence

Newfoundland and Labrador Hydro

November 2013



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1.0 INTRODUCTION

On July 30, 2013, Newfoundland and Labrador Hydro (Hydro) filed its General Rate Application (GRA) requesting new rates effective January 1, 2014. New rates are required since Hydro's forecast rate of return on rate base (RORB) of 6.28%¹ for 2013 is well below Hydro's approved² RORB range of 7.29% to 7.59% and the proposed RORB of 7.83% which incorporates the Government directed Return on Equity of 8.80%.

Since 2006, this regulatory jurisdiction has seen Hydro and Newfoundland Power (NP) make application to the Board of Commissioners of Public Utilities (Board) to earn its allowed rate of return by either of the following means:

- **Interim Order** - Under the Interim Order provision, Section 75. (1)³ of the Newfoundland and Labrador Public Utilities Act, the Board :

"may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls, and charges submitted by a public utility, upon the terms and conditions that it may decide."

- **Regulatory Deferral Mechanism** - The approval of a regulatory deferral mechanism⁴ allows the utility to defer a revenue shortfall between proposed and existing rates until the time of rate implementation, and this deferred amount would then be recovered in future rates. Since 2011, there has been

¹ See NP-NLH-027 Rev 1.

² Order No. P.U. 8(2007).

³ Section 75 of the Newfoundland and Labrador Public Utilities Act is included as Appendix A.

⁴ *Newfoundland and Labrador Hydro v. Newfoundland and Labrador (Board of Commissioners of Public Utilities)*, 2012 NLCA 38, per Green, CJA, [63]: The operation of deferral accounts is permissible under the existing regulatory scheme in this province regardless of whether it might be argued they incidentally have retrospective or retroactive effect. Deferral accounts are utilized in public utility regulation to deal with the effects of uncertain or volatile costs in a manner that ensures that rates are reasonable, not unjustly discriminatory and that the utility earns a just and reasonable return. They permit the recovery or rebate in a subsequent period of any deficiency or excess between forecast and actual costs. Regulatory regimes generally permit the operation of deferral accounts.

1 approval of both a deferred recovery of increased cost of capital and a
2 deferred recovery of increased revenue requirement.

3 As it is now clear that final rates will not be approved by January 1, 2014, in this Application
4 Hydro is requesting that the Board approve implementation of interim rates effective
5 January 1, 2014, based on the GRA filing, for certain of Hydro's customer classes. If the
6 Board does not approve Hydro's interim rates Application, Hydro proposes the deferral of
7 the forecast 2014 revenue shortfall between existing and approved rates, with recovery
8 commencing at the time of the new rate implementation. Hydro's preference is that the
9 Board approve the interim rate Application as it results in a rate decrease for the vast
10 majority of Hydro's customers affected by this Application and it also facilitates the phase-in
11 of Industrial Customers (IC) rates in line with Government direction.

2.0 BACKGROUND

Hydro filed its GRA on July 30, 2013 based on a 2013 Test Year, in accordance with Government directive OC2013-089, as amended and requested new rates effective January 1, 2014. A delay in interim rates implementation beyond the requested January 1, 2014 effective date for new rates results in further deterioration of Hydro's RORB from the proposed 2013 Test Year RORB. Table 1 below shows the decline in RORB from an already low level of 7.29% based on interim rate implementation on January 1, 2014, to a RORB of just 7.00% if interim rates are not effective until March 1, 2014. Hydro's proposed 2013 Test Year RORB is 7.83% with a proposed lower range of 7.58%. This proposed RORB is based upon the return on equity (ROE) determined in the manner set out in Order in Council OC2009-063 which directs the Board to set Hydro's earnings based upon the ROE approved for Newfoundland Power.

Table 1- Rate of Return on Rate Base

2013 Test Year	January 1 Rate Implementation	February 1 Rate Implementation	March 1 Rate Implementation
7.83%	7.29%	7.02%	7.00%

Hydro is seeking an interim order which provides a means whereby its 2014 RORB, though below the proposed 2013 Test Year level, is maintained to the extent achievable in 2014.

1 **3.0 HISTORICAL USE OF INTERIM RATES**

2 **3.1 Hydro's 2006 Interim Rates Application**

3 As previously stated, Section 75 of The Public Utilities Act has a provision whereby a utility
4 may seek to earn its allowed rate of return by means of an interim order of the Board prior
5 to the completion of the full regulatory process. During its 2006 GRA, on December 6, 2006,
6 Hydro filed a revised General Rate Application seeking approval of final rates, or in the
7 alternative, interim rates effective January 1, 2007. This filing was made following
8 settlement negotiations and agreement among the Parties on a number of issues. In Order
9 No. P.U. 41(2006), the Board recited the then existing circumstances and legislative
10 guidance leading to its decision to grant approval of interim rates:

11 *"WHEREAS a hearing has not been held in relation to Hydro's General Rate*
12 *Application or Revised Application; and*

13 *WHEREAS the Board has considered Hydro's request for a final rates Order to be*
14 *effective January 1, 2007 and has determined that it will not approve final rates*
15 *until fully testing the proposed rates, which may involve a public hearing or other*
16 *process; and*

17 *WHEREAS section 75 of the Act provides that the Board may make an interim*
18 *order unilaterally and without public hearing or notice, approving with or without*
19 *modification a schedule of rates, tolls and charges submitted by a public utility*
20 *upon the terms and conditions that it may decide; and ...*

21 *WHEREAS if, after a full review of Hydro's Revised Application, it is determined*
22 *that excess revenue has been earned by Hydro as a result of the interim Order the*
23 *Board may order, pursuant to Section 75(3) of the Act, that customers of Hydro*
24 *receive a refund; and*

25 *WHEREAS the Board is satisfied that granting approval of interim rates for*
26 *January 1, 2007 is appropriate and reasonable in the circumstances..."*

1 The circumstances noted above relating to (i) a hearing not yet being held and (ii) proposed
2 rates not being tested, are conditions that exist currently. The Board, however, at that
3 time, acknowledging that it may make an interim order unilaterally and that customers
4 would receive a refund of any excess revenue, ordered interim rates effective January 1,
5 2007. A final Order of the Board, P.U. 8(2007), was issued on April 12, 2007.

6

7 **3.2 Newfoundland Power's 2007 Interim Rates Application**

8 On December 11, 2007, NP filed an application for interim rates effective January 1, 2008.
9 The application was filed on the basis of the uncertainty of the timing of the release of the
10 Board's final Order. Based on the approval of final rates in Order No. P.U. 32(2007) on
11 December 19, 2007, the Board stated that the interim rate application was no longer
12 required.

13

14 **3.3 Newfoundland Power's 2009 Interim Rates Application**

15 On November 20, 2009, NP filed an application for interim rates effective January 1, 2010.
16 The application was filed on the basis of the uncertainty of the timing of the issuance of the
17 Board's final Order and the potential impacts on NP's opportunity to earn a just and
18 reasonable return. Based on the approval of final rates in Order No. P.U. 46(2009) on
19 December 24, 2009, the interim rate application was withdrawn.

4.0 HISTORICAL USE OF DEFERRAL AND RECOVERY MECHANISM

4.1 Newfoundland Power's 2012 Cost of Capital Application

In this regulatory jurisdiction there has also been the use of regulatory deferral and recovery mechanisms. On March 30, 2012, NP filed an application proposing that the Board approve, among other things, a just and reasonable return on rate base for 2012. In its Order No. P.U. 17(2012) dated June 15, 2012, the Board approved the deferred recovery of the difference between the then existing return on common equity of 8.38% and the proposed 8.80% return on common equity for 2012, calculated on the basis of NP's 2010 test year costs. The recovery of the additional revenue requirement for 2012 of approximately \$2.5 million was deferred and, in Order No. P.U. 13(2013), was approved for recovery over three years.

4.2 Newfoundland Power's 2013 General Rate Application

In its GRA filing on September 14, 2012, NP requested that the Board approve the implementation of a deferral and recovery mechanism whereby NP would be able to earn its full 2013 revenue commencing January 1, 2013. In its application, NP applied for the recovery, over a three-year period, of a forecast 2013 revenue shortfall of \$980,000. This recovery would effectively achieve a rate implementation of January 1, 2013 though rates were forecast to be implemented on March 1, 2013. In Order No. P.U. 13 (2013), the Board approved the deferral and recovery of \$3,965,000. This higher deferral amount resulted from a change in rate implementation from the assumed date of March 1, 2013 in the September 2012 GRA filing, to the actual rate implementation date of July 1, 2013.

1 **5.0 INTERIM RATES REQUEST**

2 On July 30, 2013, Hydro filed its GRA requesting new rates effective January 1, 2014. This
3 Application requests that those rates become effective on that date on an interim basis for
4 all customers, except for those customers on the Labrador Interconnected System. This
5 Application also requests interim approval of the RSP rules, included as Schedule B to the
6 Application, which are necessary to facilitate the funding of the phase in of IC rates from the
7 IC RSP Surplus amount.

8 Hydro requests interim rates in order to have the opportunity to earn a return on rate base
9 that is closer to that which results from the Government directed ROE for the 2013 Test
10 Year. For example, Hydro's forecast 2014 RORB, estimated to be 7.00% if interim rates are
11 not implemented until March 1, 2014, is well below the lower end of the approved range of
12 return of 7.29%.

13 Additionally, based on Hydro's GRA filing, rates for NP customers, and thus Rural Island
14 Interconnected customers, are forecast to decrease by 3.6%⁵. The implementation of
15 interim rates on January 1, 2014 would achieve both an earlier rate decrease for customers
16 as well as a more appropriate return for Hydro.

17 With regard to IC rates, Hydro proposes an increase of 58.9%⁶ effective January 1, 2014.
18 However, based on the Government directives⁷, new IC rates are to be phased in over a
19 three-year period with funding drawn from the Rate Stabilization Plan Surplus. Government
20 directive OC2013-089, as amended, s. 2), directed the Board as follows:

21 *"On August 31, 2013 the Island industrial customers' Rate Stabilization Plan will*
22 *be credited with \$49 million, the estimated Rate Stabilization Plan amount*

⁵ Includes the January 1, 2014 fuel rider adjustment calculated in accordance with Section D. 1 of the RSP rules. As well, this stated decrease is calculated using 2014 forecast billing determinants rather than those used in the 2013 Test Year as was previously the case. Refer also to Appendix B.

⁶ Refer to Appendix B.

⁷ Related Government directives are included in Appendix C.

1 *required to phase-in industrial customers rates, based on Newfoundland and*
2 *Labrador Hydro's General Rate Application."*

3 As stated in response to Request for Information PUB-NLH-7⁸ filed during the 2013 RSP
4 proceeding, the calculation of the amount of \$49 million contemplates that Hydro's
5 proposed GRA rates for IC would come into effect on January 1, 2014.

6 Also on January 1, 2014, the annual IC RSP adjustments which have been frozen since
7 January 1, 2008 are to resume. Government directive OC2013-089, as amended, at Section.
8 5, states as follows:

9 *"...effective January 1, 2014, the Island industrial customers will be subject to*
10 *Rate Stabilization Plan rate changes in accordance with the Board of*
11 *Commissioners of Public Utilities-approved methodology."*

12 In accordance with the rules of the RSP, on October 15, 2013 Hydro filed the Rate
13 Stabilization Plan Fuel Price Projection for IC⁹. In its filing, Hydro provided information on
14 two scenarios regarding IC rate implementation on January 1, 2014. One scenario assumes
15 that existing IC rates remain in place on January 1, 2014, in which case the fuel rider is
16 calculated based on a comparison of the current forecast fuel price of \$104.75/bbl to the
17 2007 Test Year fuel price of \$55.40/bbl. Given the significant increase in fuel prices since
18 2007, such a comparison yields a fuel rider of 14.85 mills/kWh, or an average increase in IC
19 rates estimated at 36.2%. The second scenario assumes that Hydro's proposed rates are
20 approved on an interim basis effective January 1, 2014. It is estimated that the average IC
21 rate increase resulting from the RSP adjustment will be 3.4% thus resulting in a rate
22 increase which is significantly reduced from that which would otherwise occur if interim
23 rates were not implemented.

⁸ Included as Appendix D.

⁹ Included as Appendix E.

- 1 As shown in Table 3¹⁰, if the interim rates Application is approved, all retail customers on
 2 the Island Interconnected System and the L'Anse au Loup System will receive a decrease.

3 **Table 3 – Proposed Rate Changes January 1, 2014**

Rate Class	2014 Increase (Decrease) using 2014 Billing Determinants and NP January 1, 2014 Fuel Rider
ISLAND INTERCONNECTED	
Newfoundland Power (NP) wholesale rate impact	-5.4%
Estimated end customer rate impact	-3.6%
Estimated Rural Customer rate impact	-3.6%
Industrial Customers (IC)	58.9%
ISLAND ISOLATED SYSTEMS	
Domestic	0.6%
General Service 0 - 10 kW	11.7%
General Service Over 10 kW	12.4%
Street and Area Lighting	-3.6%
Government Departments	
General Service 0 - 10 kW	22.0%
General Service Over 10 kW	27.5%
Street and Area Lighting	21.4%
LABRADOR ISOLATED SYSTEMS	
Domestic	0.6%
General Service 0 - 10 kW	11.7%
General Service Over 10 kW	12.4%
Street and Area Lighting	-3.6%
Government Departments	
Domestic	17.7%
General Service 0 - 10 kW	22.0%
General Service Over 10 kW	27.5%
Street and Area Lighting	21.4%
L'ANSE AU LOUP SYSTEM	
Domestic	-3.6%
General Service 0 - 10 kW	-3.6%
General Service Over 10 kW	-3.6%
Street and Area Lighting	-3.6%

¹⁰ Customer rate impacts have been updated to reflect 2014 billing determinants and the January 1, 2014 implementation of the fuel rider for Newfoundland Power. Further details on these two changes are shown in Appendix B.

1 With the exception of some Street and Area Lighting service, customers on the Island and
2 Labrador Isolated Systems will receive an increase. The increase for Domestic and General
3 Service customers, excluding Government Departments, results from an increase that was
4 approved by the Board in 2007 and which has subsequently been subsidized by
5 Government. Increases for Government Departments are a result of these customers being
6 charged rates based on their cost of service in accordance with Board-approved rates
7 policy.

8 Hydro believes that its Application for the implementation of interim rates, effective
9 January 1, 2014, is a reasonable and equitable proposal for the following reasons:

- 10 • Hydro is currently forecasting its 2014 RORB to be below the lower end of its
11 approved range of return on rate base and interim rates approval will provide Hydro
12 the opportunity to earn a return on rate base that is closer to that which results
13 from the Government directed ROE for the 2013 Test Year;
- 14 • The vast majority of retail customers affected by this Application will receive a
15 decrease in their electricity bills effective January 1, 2014;
- 16 • If new base rates for IC are approved on January 1, 2014, as was contemplated in the
17 IC rate phase in directed by Government, it will avoid a significant rate increase as a
18 result of the RSP adjustment; and
- 19 • If it is determined that excess revenue has been earned by Hydro as a result of an
20 interim rates implementation, the Board may order, pursuant to Section 75(3) of the
21 Act, that customers of Hydro receive a refund.

22 Hydro is specifically proposing that the following be approved, on an interim basis:

- 23 • NP base rates based upon Hydro's 2013 GRA;
- 24 • A revised NP fuel price projection based upon Section D of the RSP rules and Hydro's
25 calculation of that revised fuel rider as shown in Appendix F;
- 26 • Industrial Customers' base rates based upon Hydro's 2013 GRA;

- 1 • Industrial Customers' phase-in rates based upon direction received from the
- 2 province;
- 3 • Modification of the RSP rules to enable the drawdown of the IC RSP Surplus and the
- 4 phase in of rates; and
- 5 • Isolated System Government rates based upon Hydro's 2013 GRA.

6 Rates for Hydro's Rural Customers, other than Isolated Government and Labrador
7 Interconnected customers, will be applied for when NP's flow-through rates to its
8 customers are determined. The Industrial Customers RSP rates will be determined and
9 applied for once the December RSP balance is available, in accordance with the existing RSP
10 rules.

11 If the Board chooses to not approve Hydro's Application for interim rates, Hydro proposes
12 that the Board approve the regulatory deferral mechanism outlined in the following section.

1 **6.0 REGULATORY DEFERRAL AND RECOVERY MECHANISM**

2 This Application requests that rates proposed in its July 30, 2013 GRA filing become
3 effective on an interim basis, on January 1, 2014, for all customers except those customers
4 on the Labrador Interconnected System. If the Board chooses to not approve interim rates,
5 Hydro proposes that the Board approve a regulatory deferral and recovery mechanism.

6 Under this mechanism, Hydro proposes that, commencing January 1, 2014, Hydro would
7 defer any revenue shortfall between existing and approved rates for all customer classes,
8 and that such shortfall would be recovered from customers over a three-year period
9 commencing when final rates become effective. Approval of this mechanism would allow
10 Hydro the opportunity to earn a return that is closer to that proposed in its GRA filing. It is
11 pointed out, however, that the regulatory deferral mechanism is not Hydro's preferred
12 option since there are RSP implications that make this option more complex and it would
13 possibly result in a significant IC rate increase on January 1, 2014, preventing a smooth
14 phase in of IC rates.

1 **7.0 CONCLUSION**

2 Hydro's forecast financial performance in 2014 is projected to result in a rate of return on
3 rate base which is below the approved range of return. On this basis, Hydro is proposing
4 that the Board approve interim rates, effective January 1, 2014, for certain of its customer
5 classes. The implementation of interim rates on January 1, 2014 will result in a rate
6 decrease for the vast majority of customers affected by Hydro's Application and will avoid a
7 significant rate increase for IC. Although not Hydro's preferred option due to the potential
8 negative impact on Industrial Customers and the administrative complexity associated with
9 the RSP, Hydro has proposed the use of a regulatory deferral and recovery mechanism as an
10 alternative to achieve the same return for Hydro.

11 The Public Utilities Act, S. 75, empowers the Board to approve interim rates without a public
12 hearing. This legislation also gives the Board the authority to order that any excess revenue
13 earned by Hydro be refunded to customers.

APPENDIX A

Interim order

75. (1) *The board may make an interim order unilaterally and without public hearing or notice, approving with or without modification, a schedule of rates, tolls and charges submitted by a public utility, upon the terms and conditions that it may decide.*
- (2) *The schedule of rates, tolls and charges approved under subsection (1) are the only lawful rates, tolls and charges of the public utility until a final order is made by the board under section 70.*
- (3) *The board may order that the excess revenue that was earned as a result of an interim order made under subsection (1) and not confirmed by the board be*
- (a) refunded to the customers of the public utility; or*
 - (b) placed in a reserve fund for the purpose that may be approved by the board.*

APPENDIX B

Rate Class	2014 Increase (Decrease) using 2013 Billing Determinants ⁽¹⁾	2014 Increase (Decrease) using 2014 Billing Determinants ⁽²⁾	2014 Increase (Decrease) using 2014 Billing Determinants and NP January 1, 2014 Fuel Rider ⁽³⁾
ISLAND INTERCONNECTED			
Newfoundland Power (NP) wholesale rate impact	-4.8%	-3.7%	-5.4%
Estimated end customer rate impact	-3.2%	-2.5%	-3.6%
Estimated Rural Customer rate impact	-3.2%	-2.5%	-3.6%
Industrial Customers (IC)	73.1%	58.9%	58.9%
ISLAND ISOLATED SYSTEMS			
Domestic	0.9%	1.7%	0.6%
General Service 0 - 10 kW	11.6%	12.8%	11.7%
General Service Over 10 kW	11.5%	13.5%	12.4%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
Government Departments			
General Service 0 - 10 kW	22.0%	22.0%	22.0%
General Service Over 10 kW	27.5%	27.5%	27.5%
Street and Area Lighting	16.8%	21.4%	21.4%
LABRADOR ISOLATED SYSTEMS			
Domestic ⁽⁴⁾	0.9%	1.7%	0.6%
General Service 0 - 10 kW	11.6%	12.8%	11.7%
General Service Over 10 kW	11.5%	13.5%	12.4%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
Government Departments			
Domestic	17.7%	17.7%	17.7%
General Service 0 - 10 kW	22.0%	22.0%	22.0%
General Service Over 10 kW	27.5%	27.5%	27.5%
Street and Area Lighting	16.8%	21.4%	21.4%
L'ANSE AU LOUP SYSTEM			
Domestic ⁽⁵⁾	-3.2%	-2.5%	-3.6%
General Service 0 - 10 kW	-3.2%	-2.5%	-3.6%
General Service Over 10 kW	-3.2%	-2.5%	-3.6%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
⁽¹⁾ Rate changes quoted in Hydro's GRA filing reflected the % change in rates resulting from the 2013 Test Year and using the related 2013 billing determinants, that is, using the same number of customers, energy consumption and demands as was used in the cost of service and rate design process. This calculation of rate changes reflects a static view of the the effect of the 2013 Test Year with respect to billing determinants.			
⁽²⁾ Given that Hydro's 2014 forecast billing determinants are different based on present 2014 forecasts of number of customers and load, the rate changes shown in this column have been updated to reflect a prospective view of the rates, based on the 2013 Test Year, and as requested by Hydro in its GRA filing.			
⁽³⁾ Includes the January 1, 2014 fuel rider adjustment calculated in accordance with Section D. 1 of the RSP rules.			
⁽⁴⁾ With the annual Northern Strategic Plan subsidy, domestic customers in coastal Labrador pay the equivalent electricity rates as Labrador Interconnected customers for their basic electricity needs. The overall increase for domestic coastal Labrador customers, after the subsidy is considered, will be 5.3%.			
⁽⁵⁾ With the annual Northern Strategic Plan subsidy, domestic customers in the L'Anse au Loup System pay the equivalent electricity rates as Labrador Interconnected customers for their basic electricity needs. The overall decrease for domestic L'Anse au Loup customers, after the subsidy is considered, will be (2.7%).			

APPENDIX C

Orders in Council Database

Order Details

Order Number:

OC2013-089

Order Date:

2013-04-04

Department:

Natural Resources

Authority:

Electrical Power Control Act, 1994

Order Text:

Under the authority of section 5.1 of the Electrical Power Control Act, 1994, the Lieutenant Governor in Council is pleased to direct the Board of Commissioners of Public Utilities that:

- 1) Effective July 1, 2013, Island industrial customer rates will no longer be frozen. Effective on this date rate increases for island industrial customers will be phased in over a three year period, with funding for this phase-in to be drawn from the January 1, 2007 to June 30, 2013 accumulated Load Variation (the Rate Stabilization Plan Surplus) component of the Rate Stabilization Plan and credited to the Island industrial customer Rate Stabilization Plan effective June 30, 2013;
- 2) On June 30, 2013 the Island industrial customers' Rate Stabilization Plan will be credited with \$56.5 million, the estimated Rate Stabilization Plan amount required to phase-in industrial customer rates, based on Newfoundland and Labrador Hydro's General Rate Application. The remaining balance in the Rate Stabilization Plan Surplus on June 30, 2013, will be transferred to the credit of Newfoundland Power's Rate Stabilization Plan. No future adjustments will be made to these amounts credited. Effective July 1, 2013 all Island industrial customers, with the exception of Teck Resources, will be subject to the same standard industrial rate, equivalent to the existing base rate but excluding the Rate Stabilization Plan adjustment currently in place;
- 3) Teck Resources rate increase will be phased in, to a reasonable degree, in three equal annual percentage increases, and at the end of the phase-in period Teck Resources will be subject to the standard industrial rate;
- 4) Over the three year Island industrial rate phase in period, the shortfall in Newfoundland and Labrador Hydro's revenues when compared to revenue at the Board of Commissioners of Public Utilities-approved Island industrial customer rates, shall be funded from the Island industrial customer Rate Stabilization Plan;
- 5) Notwithstanding Items 1) through 4) above, effective January 1, 2014, the Island industrial customers will be subject to Rate Stabilization Plan rate changes in accordance with the Board of Commissioners of Public Utilities-approved methodology;
- 6) Newfoundland and Labrador Hydro's General Rate Application process shall include a Rate Stabilization Plan surplus refund plan to ratepayers. The refund plan shall comprise direct payments or rebates to ratepayers and shall not be in the form of an electricity rate adjustment. This refund plan will exclude Island industrial customers who will receive Rate Stabilization Plan surplus funds through the three year phase-in of new rates. The Board of Commissioners of Public Utilities shall make the final determination on the details of the refund to remaining ratepayers;

<http://www.exec-oic.gov.nl.ca/public/oic/details?order-id=91>

11/12/2013

7) Newfoundland Power's portion of the Rate Stabilization Plan Surplus shall be distributed as a direct payment or rebate to its ratepayers and shall not be in the form of an electricity rate adjustment; and

8) Newfoundland and Labrador Hydro's General Rate Application shall be based on a 2013 test year in the determination of new electricity rates for customers.

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Last Updated: November 12, 2013

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Orders in Council Database

Order Details

Order Number:

OC2013-090

Order Date:

2013-04-04

Department:

Natural Resources

Authority:

Hydro Corporation Act, 2007

Order Text:

Under the authority of section 39(3) of the Hydro Corporation Act, 2007, the Lieutenant Governor in Council is pleased to direct the Board of Directors of Newfoundland and Labrador Hydro-Electric Corporation to bring about such applications and information to the Board of Commissioners of Public Utilities to facilitate Orders from that Board with the following effects:

- 1) Effective July 1, 2013, Island industrial customer rates will no longer be frozen. Effective on this date rate increases for island industrial customers will be phased in over a three year period, with funding for this phase-in to be drawn from the January 1, 2007 to June 30, 2013 accumulated Load Variation (the Rate Stabilization Plan Surplus) component of the Rate Stabilization Plan and credited to the Island industrial customer Rate Stabilization Plan effective June 30, 2013;
- 2) On June 30, 2013 the Island industrial customers' Rate Stabilization Plan will be credited with \$56.5 million, the estimated Rate Stabilization Plan amount required to phase-in industrial customer rates, based on Newfoundland and Labrador Hydro's General Rate Application. The remaining balance in the Rate Stabilization Plan Surplus on June 30, 2013, will be transferred to the credit of Newfoundland Power's Rate Stabilization Plan. No future adjustments will be made to these amounts credited. Effective July 1, 2013 all Island industrial customers, with the exception of Teck Resources, will be subject to the same standard industrial rate, equivalent to the existing base rate but excluding the Rate Stabilization Plan adjustment currently in place;
- 3) Teck Resources rate increase will be phased in, to a reasonable degree, in three equal annual percentage increases and at the end of the phase-in period Teck Resources will be subject to the standard industrial rate;
- 4) Over the three year Island industrial rate phase in period, the shortfall in Newfoundland and Labrador Hydro's revenues when compared to revenue at the Board of Commissioners of Public Utilities-approved Island industrial customer rates, shall be funded from the Island industrial customer Rate Stabilization Plan; and
- 5) Notwithstanding Items 1) through 4) above, effective January 1, 2014, the Island industrial customers will be subject to Rate Stabilization Plan rate changes in accordance with the Board of Commissioners of Public Utilities-approved methodology.

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11/12/2013

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<http://www.exec-oic.gov.nl.ca/public/oic/details?order-id=92>

11/12/2013

Orders in Council Database

Order Details

Order Number:

OC2013-091

Order Date:

2013-04-04

Department:

Natural Resources

Authority:

Hydro Corporation Act, 2007

Order Text:

Under the authority of section 39(3) of the Hydro Corporation Act, 2007, the Lieutenant-Governor in Council is pleased to direct the Board of Directors of Newfoundland and Labrador Hydro-Electric Corporation that:

- 1) during its General Rate Application process, it shall file a plan for the phase in of island industrial customer rates, including the application of the Rate Stabilization Plan funding, as described in OC2013-090;
- 2) during its General Rate Application process, it shall file a Rate Stabilization Plan surplus refund plan to ratepayers. The refund shall be a direct payment or rebate to ratepayers and shall not be in the form of an electricity rate adjustment. This refund plan will exclude Island industrial customers who will receive Rate Stabilization Plan surplus funds through the three year phase-in of new rates; and
- 3) it file its General Rate Application based on a 2013 test year in the determination of new electricity rates for customers.

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Orders in Council Database

Order Details

Order Number:

OC2013-207

Order Date:

2013-07-16

Department:

Natural Resources

Authority:

Electrical Power Control Act, 1994

Order Text:

Under the authority of section 5.1 of the Electrical Power Control Act, 1994, the Lieutenant Governor in Council is pleased to amend OC2013-089 by:

- a) deleting the date "June 30, 2013" wherever it appears and substituting therefor the date "August 31, 2013";
- b) deleting the date "July 1, 2013" wherever it appears and substituting therefor the date "September 1, 2013"; and
- c) deleting the words "\$56.5 million" wherever they appear and substituting therefor the words "\$49 million".

OC2013-089 is hereby amended.

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Orders in Council Database

Order Details

Order Number:

OC2013-208

Order Date:

2013-07-16

Department:

Natural Resources

Authority:

Hydro Corporation Act, 2007

Order Text:

Under the authority of section 39(3) of the Hydro Corporation Act, 2007, the Lieutenant Governor in Council is pleased to amend OC2013-090 by:

- a) deleting the date "June 30, 2013" wherever it appears and substituting therefor the date "August 31, 2013";
- b) deleting the date "July 1, 2013" wherever it appears and substituting therefor the date "September 1, 2013"; and
- c) deleting the words "\$56.5 million" wherever they appear and substituting therefor the words "\$49 million".

OC2013-090 is hereby amended.

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APPENDIX D

PUB-NLH-7

RSP Rules and Components to be charged to Industrial Customers

Page 1 of 2

1 Q. Application, July 2013 Rate Stabilization Plan Evidence, page 1/17-19, Hydro
 2 states that: "Funding of \$49 million will be drawn from the January 1, 2007 to
 3 August 31, 2013 accumulated load variation component of the RSP (RSP Surplus)
 4 and will be credited to the IC RSP on August 31, 2013 for the IC rate phase-in;"

5
 6 Please provide details of the calculations that show how the \$49 million from the
 7 January 1, 2007 to August 31, 2013 accumulated load variation component of the
 8 RSP will be allocated to the Industrial Customer RSP throughout the three-year
 9 phase-in of rates.

10

11

12 A. Based on the 2013 Test Year, the three-year phase-in would be allocated as
 13 follows:

14	August 31, 2013 RSP Balance Owing from IC	\$39.0 million ¹
15	September 1, 2013 to December 31, 2013 Teck shortfall	
16	24,000,000 kWhs x 1.111 ¢ /kWh	\$0.3 million
17	January 1, 2014 to December 31, 2014	
18	Revenue at Proposed Rates	\$29.0 million ²
19	IC Billings at Phase-in Rates	\$22.0 million ³ \$7.0 million
20	January 1, 2015 to August 31, 2015	
21	Revenue at Proposed Rates	\$18.7 million ⁴
22	IC Billings at Phase-in Rates	\$15.9 million ⁵ <u>\$2.8 million</u>
23	Total	<u>\$49.1 million</u>

¹ July 2013 Rate Stabilization Plan Evidence, Page 6, Table 1

² 2013 General Rate Application, Page 4.16, Table 4.4

³ Based on 2013 Test Year billing determinants at proposed January 1, 2014 and September 1, 2014 phase-in rates

⁴ Based on 2013 Test Year billing determinants at proposed 2013 Test Year rates

⁵ Based on 2013 Test Year billing determinants at proposed January 1, 2015 phase-in rate

PUB-NLH-7

RSP Rules and Components to be charged to Industrial Customers

Page 2 of 2

1 The actual drawdown of the \$49 million will differ and will not be known until
 2 August 31, 2015 as it will be affected by a number of variables over the phase-in
 3 period including the following:

- 4 • Actual IC RSP balance as at August 31, 2013;
- 5 • Final Board-approved IC rates based on the 2013 Test Year;
- 6 • IC load changes over the phase-in period; and
- 7 • Financing over the phase-in period.

8

9 The total balance in the IC RSP at August 31, 2015 will also be affected by a
 10 number of variables over the phase-in period including the following:

- 11 • Actual IC RSP balance as at August 31, 2013;
- 12 • Distribution of the RSP hydraulic balance, forecast to be \$47 million
 13 as at August 31 2013, to NP and IC;
- 14 • Final Board-approved rates based on the 2013 Test Year;
- 15 • NP, IC and Island Interconnected Rural customers' load changes
 16 over the phase-in period;
- 17 • Hydrology changes over the phase-in period;
- 18 • Fuel price changes over the phase-in period;
- 19 • Financing over the phase-in period;
- 20 • Power purchase volumes and prices; and
- 21 • Holyrood operating efficiency, and other factors.

22

23 In its Application "for approval of the Rate Stabilization Plan rules and
 24 components of the rates to be charged and to Industrial Customers", Hydro is
 25 proposing in the RSP Surplus section, Schedule B, that at the end of the phase-in
 26 period any remaining balance in the IC RSP Surplus Balance will be added to the
 27 IC plan then in effect.

APPENDIX E



Hydro Place, 500 Columbus Drive.
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 f. 709.737.1800
www.nlh.nl.ca

October 15, 2013

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Rate Stabilization Plan Fuel Price Projection – Industrial Customers

Order No. P.U. 14(2007) states that by the 10th working day of October, Hydro is to provide to the Board, to its Industrial Customers, and to Newfoundland Power an estimate of the Industrial Customer fuel rider that will become effective on January 1 of the coming year. The estimated fuel rider is to be based upon 12 months-to-date kWh sales to the end of September.

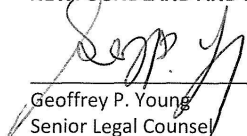
Due to the pending status of its 2013 General Rates Application for rates effective January 1, 2014, Hydro has provided the estimated fuel rider compared to both the 2007 Test Year (Schedule A) and 2013 Test Year (Schedule B) fuel price as summarized in the Table below.

	Fuel Rider (mills/kWh)	Forecast Fuel Price (\$Can/bbl)	Test Year Fuel Price (\$Can/bbl)	Difference (\$Can/bbl)
2007 Test Year	14.85	104.75	55.40	49.35
2013 Test Year	(1.17)	104.75	108.70	(3.95)

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO


Geoffrey P. Young
Senior Legal Counsel

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales

Thomas Johnson – Consumer Advocate
Thomas O'Reilly, QC – Cox & Palmer

Schedule A
Page 1 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2007 Test Year Fuel Forecast Price	\$ 55.40	
3	Forecast Fuel Price Variance	\$ 49.35	Line 1 - Line 2
4	2007 Test Year No. 6 Barrels Consumed	1,878,188	
5	Forecast Fuel Variance	\$ 92,688,578	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ 5,236,905	Line 5 x Line 6

	kWh	Percent of Total	Allocation of Rural	Total	
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.46%	93.56%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider		Amount	Comments
<u>Rate Rider</u>			
12	Industrial Allocation	\$ 5,236,905	From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	14.85	Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$5,236,905 is established as calculated above.

Schedule A

Page 2 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
2014 January	105.70
February	102.00
March	101.40
April	100.00
May	98.20
June	99.90
July	101.50
August	102.80
September	103.30
October	103.90
November	101.50
December	98.00
Average \$Cdn/bbl ⁽²⁾	101.50
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

Schedule B
Page 1 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2013 Test Year Fuel Forecast Price	\$ 108.70	
3	Forecast Fuel Price Variance	\$ (3.95)	Line 1 - Line 2
4	2013 Test Year No. 6 Barrels Consumed	1,842,112	
5	Forecast Fuel Variance	\$ (7,276,342)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ (411,113)	Line 5 x Line 6

Calculation of Customer Allocation		kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.43%	93.53%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider		Amount	Comments
12	Industrial Allocation	\$ (411,113)	From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	(1.17)	Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$-411,113 is established as calculated above.

Schedule B

Page 2 of 2

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
2014 January	105.70
February	102.00
March	101.40
April	100.00
May	98.20
June	99.90
July	101.50
August	102.80
September	103.30
October	103.90
November	101.50
December	98.00
Average \$Cdn/bbl ⁽²⁾	101.50
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

APPENDIX F

NEWFOUNDLAND AND LABRADOR HYDRO

Rate Stabilization Plan Estimated Fuel Price Projection Rider

Newfoundland Power

Oct-13

Line					
No	Customer Allocation	Amount	Comments		
1	September Fuel Price Projection	\$ 104.75	From Page 2		
2	2013 Test Year Fuel Forecast Price	\$ 108.70			
3	Forecast Fuel Price Variance	\$ (3.95)	Line 1 - Line 2		
4	2013 Test Year No. 6 Barrels Consumed	1,842,112			
5	Forecast Fuel Variance	\$ (7,276,342)	Line 3 x Line 4		
6	Newfoundland Power Customer Allocation Ratio	93.53%	From Line 9		
7	Newfoundland Power Customer Allocation	\$ (6,805,563)	Line 5 x Line 6		

NEWFOUNDLAND AND LABRADOR HYDRO		
Fuel Price Projection		
2014 Budget Run (Fuel Rider as at October 2013)		
		\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾		
2014	January	105.70
	February	102.00
	March	101.40
	April	100.00
	May	98.20
	June	99.90
	July	101.50
	August	102.80
	September	103.30
	October	103.90
	November	101.50
	December	98.00
Average \$Cdn/bbl ⁽²⁾		
		101.50
NLH Test Year Contract Discount (\$US/bbl)		
		<u>(0.218)</u>
		\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾		
		<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾		
		<u>\$104.75</u>
Notes:		
(1)	The forecast is based on the PIRA monthly short-term forecast dated Sept 2013.	
(2)	Price per barrel is rounded to the nearest \$0.05.	
(3)	Monthly average of the Bank of Canada Can\$/US\$ Noon Exchange Rate for the month of September, 2013, rounded to 4 decimal places.	

Evidence Related to
Hydro's Amended Interim Rates Application

Newfoundland and Labrador Hydro

February 2014



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3.0	DEFERRAL AND RECOVERY MECHANISM FOR OTHER CUSTOMERS	5
4.0	RATE STABILIZATION PLAN	7
5.0	CONCLUSION	8

1.0 INTRODUCTION

On July 30, 2013, Newfoundland and Labrador Hydro (Hydro) filed its General Rate Application (GRA) requesting new rates effective January 1, 2014. As it became clear that final rates would not be approved by January 1, 2014, on November 18, 2013 Hydro filed an Application requesting that the Board approve implementation of interim rates effective January 1, 2014, based on the GRA filing, for certain Hydro's customer classes. Alternatively, if the Board did not approve Hydro's Interim Rates Application, Hydro proposed the deferral of the forecast 2014 revenue shortfall between existing and approved rates for all customers, with recovery commencing at the time of the new rate implementation. Hydro stated that its preference was that the Board approve the Interim Rates Application as it would result in a rate decrease for the vast majority of Hydro's customers affected by the Application and it would also facilitate the phase-in of Industrial Customers (IC) rates in line with Government direction.¹

Since November 22, 2013 a Request for Information (RFI) process has been ongoing regarding Hydro's Interim Rates Application and on December 13, 2013 the Board issued Order No. P.U. 40(2013), which on pages 3 and 4, states as follows:

The Board is satisfied that interim rates could not realistically be put in place for January 1, 2014 and further that rate changes should not be made before the issues and concerns associated with the Interim Rates Application are resolved. Without approval of the Interim Rates Application and without a change to the RSP rules, the Industrial Customers would be subject to a 36.2% increase... In the circumstances the Board concludes that it is appropriate to suspend the operation of the January 1 RSP adjustment for the Industrial Customers. The Board acknowledges Hydro's request that the interim rates be put into effect as soon as practically possible and agrees that this matter should proceed expeditiously. The Board will ensure that the process reflects the urgency of the matter.

¹ OC2013-089, as amended.

1 In response to RFI IR-NP-NLH-029, Hydro outlined a modified approach to its original
2 Interim Rates Application which has elements of both the implementation of interim rates
3 and a deferral and recovery mechanism. Given the current circumstances, Hydro is
4 modifying its request for interim rates and is instead requesting interim rates for Island
5 Interconnected IC and a deferral and recovery mechanism for its remaining customers.
6 Hydro believes this approach will enable the following:

- 7 • Implementation of IC rates in a manner that achieves the result that was
8 contemplated in the Government directives;
- 9 • Deferral of rate implementation for other customers until rate design and cost of
10 service issues are addressed;
- 11 • Provision to Hydro of the opportunity to earn a return on rate base that is closer to
12 that which results from the Government directed Return on Equity (ROE) for the
13 2013 Test Year; and
- 14 • Improvement of Hydro's financial position in anticipation of a return to the capital
15 markets in 2014 to fund the infrastructure renewal and new assets construction
16 program estimated at \$763 million over the 2014 to 2017 period.

2.0 INTERIM RATES REQUEST FOR INDUSTRIAL CUSTOMERS

On December 13, 2013 the Board issued Order No. P.U. 40(2013) which approved, on an interim basis, an additional Rate Stabilization Plan (RSP) clause as follows:

Notwithstanding paragraph 2.1, as of December 31, 2013 the adjustment rate for industrial customers commencing January 1, 2014 will continue, on an interim basis, to be the rate per kWh which was approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013). This rate will remain effective until a further Order of the Board.

In its discussion on the matter, the Board points out that without approval of the Interim Rates Application and without a change to the RSP rules, the IC would be subject to a 36.2% increase. The Board's approval of a change to the RSP rules avoided what otherwise would have been a significant rate increase for IC. It is a temporary solution which contemplates a further Order of the Board. Hydro's current proposal for IC would enable implementation of IC rates in a manner that achieves the result contemplated in the Government directives and, as well, provides Hydro with the opportunity to earn a return on rate base that is closer to that which results from the Government directed ROE for the 2013 Test Year.

Hydro proposes that IC base rates reflect Hydro's 2013 proposed Test Year rates on an interim basis. Effective January 1, 2014, the difference between those rates and existing rates (phase-in rates) will be adjusted through the IC RSP Surplus account on a monthly basis. Therefore, the IC will see no change in the base rate amounts they pay on their monthly bills. However, Hydro is proposing that the IC RSP rate be adjusted to reflect the December 2013 current RSP balance and a fuel rider based upon the 2013 Test Year. The proposed RSP Rules are included as Schedule B to the Application.

1 Hydro is requesting approval of the following:

- 2 i. Hydro's proposed IC 2013 Test Year base rates and phase-in rates as included in
3 Schedule A to the Application, on an interim basis, with effect from January 1, 2014;
4
- 5 ii. Hydro's proposed RSP methodology, included in Schedule B to the Application,
6 effective January 1, 2014 for funding the phase-in of IC rates using the IC RSP
7 Surplus, on an interim basis; and
8
- 9 iii. The annual IC RSP adjustment rate effective January 1, 2014, as included in Appendix
10 A.

11 Upon final Board approval of Test Year rates, Hydro proposes to recalculate the IC RSP
12 Surplus Balance and Hydro's revenues to reflect activity and balances, as if approval had
13 occurred effective January 1, 2014.²

² There will be no resulting change in the amounts charged to IC subsequent to January 1, 2014. The IC RSP Surplus will be adjusted for any changes resulting from approved rates.

3.0 DEFERRAL AND RECOVERY MECHANISM FOR OTHER CUSTOMERS

Hydro is seeking a deferral and recovery account so that it can have the opportunity to recover its costs and earn a reasonable return on rate base for 2014, as required by Section 80 of the Act. Such a deferral account will have to be implemented in the context of the RSP. The RSP adds a layer of complexity to the implementation of a deferral account. The Board's Order No. P.U. 40(2013) highlighted that "the proposals in the Interim Rates Application raise complex and comprehensive issues which in the Board's view should be addressed before interim rates are established."

Hydro's base rates are designed to collect the approved Test Year costs and the RSP is designed to adjust for variances that occur from its Test Year assumptions. Hydro believes that the essential elements of the RSP should be addressed in a deferral account order. For example, the load variation calculates the fuel impact of customer load variations from the Test Year, using Test Year costs and energy rates. These variances are shared among the customer groups therefore the calculations require that the same Test Year assumptions apply for all affected customers.

In order to implement a deferral account which works with the RSP in an orderly fashion, and to give consideration to the variation to Hydro's Interim Rates Application suggested in Newfoundland Power's RFI IR-NP-NLH-029, Hydro is requesting approval of the following:

- Use, on an interim basis, of Hydro's proposed 2013 Test Year values as the approved Test Year values in Hydro's Rate Stabilization Plan;
- Existing rates for all of Hydro's Rural Customers be made interim;
- Creation of a Revenue Variance Deferral and Recovery Account (Deferral Account) as defined in Appendix B;
- Commencing January 1, 2014, or commencing on such later date that rates are made interim for that class, revenue variances between existing and approved rates

- 1 be included in the Deferral Account with such variances to be recovered from
2 Hydro's customers;
- 3 • Recovery of the Deferral Account over a three-year period commencing once final
4 rates become effective;
- 5 • Effective January 1, 2014, the existing NP RSP Fuel Price Projection rider of 1.634¢
6 per kWh be applied to the Deferral Account rather than the RSP³, until approval of
7 final rates; and
- 8 • Continuation of the existing NP RSP adjustment of 1.101¢ per kWh related to its
9 current plan.

³ As the Deferral Account is calculated using 2013 Test Year base rates which include the 2013 Test Year fuel price, the collection of NP's existing fuel rider (which is based on the 2007 Test Year) should be applied against the Deferral Account.

To illustrate:

It is estimated that the NP RSP fuel rider will collect an amount of \$50 million over the period January 1, 2014 to June 30, 2014 for example. This amount would normally be credited to the RSP and would offset the higher cost of fuel which is also being accounted for in the RSP. However, Hydro proposes that it is necessary to use the 2013 Test Year values in the RSP calculations therefore it is not proper that the \$50 million fuel rider amount be credited to the RSP since the higher cost of fuel is reflected in the 2013 Test Year values.

If, however, there is a revenue shortfall deferral mechanism in place for the period January 1, 2014 to June 30, 2014, for example, the higher fuel cost of approximately \$50 million is reflected in the revenue shortfall balance to be collected from customers in the future. Hydro proposes that it would be proper that the \$50 million collected from the RSP fuel rider over January 1, 2014 to June 30, 2014 period be credited to the Deferral Account, offsetting the amount owing from customers in the future.

1 **4.0 RATE STABILIZATION PLAN**

2 As part of this Application, Hydro is also proposing that commencing January 1, 2014, on an
3 interim basis, the approved Test Year to be used for calculating the RSP will be the proposed
4 2013 Test Year. Upon approval of the final 2013 Test Year, the RSP calculations will be
5 adjusted accordingly effective January 1, 2014.

6 Hydro is requesting interim approval of the following:

- 7 • Use of the proposed 2013 Test Year values in the RSP; and
8 • The RSP rules to implement funding of the phase-in of the IC rates included in
9 Section F of the RSP Rules attached to this Application as Schedule B.

1 **5.0 CONCLUSION**

2 Hydro submits its revised proposal put forward in this Evidence represents a reasonable
3 solution to the complex issues of this particular GRA. Hydro submits this approach will
4 enable the phase-in of IC rates to continue along with the Government directed drawdown
5 of funds from the IC RSP Surplus amount as was contemplated in Orders in Council. Rates
6 for all remaining customers will not be adjusted until the GRA process is complete, allowing
7 for a full understanding of the rate design and cost of service implications and giving all
8 parties an opportunity for input prior to the final decision of the Board. Approval of the
9 2013 proposed Test Year for RSP calculations, with effect from January 1, 2014, will enable
10 the operation of the RSP in complex circumstances where both interim rates and a deferral
11 and recovery mechanism are employed. Finally, the revised proposal provides Hydro with
12 the opportunity to earn a return on rate base that is closer to that which results from the
13 Government directed ROE for the 2013 Test Year. As Hydro returns to the capital markets
14 in 2014 to fund its infrastructure renewal and new assets construction program estimated
15 at \$763 million over the 2014 to 2017 period, it is critical that it is in a sound financial
16 position.

APPENDIX A

Calculation of January 1, 2014 Industrial Customer RSP Rates

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN RECOVERY
January 1, 2014 Industrial Customer RSP Adjustment Rate

December, 2013

Line No	Calculation of Industrial Customer RSP Rate	Amount	Comments
	Current Plan		
1	December Balance	\$ 566,125	December RSP, Page 11
2	Forecast Financing Costs to December 31, 2014	\$ 23,528	Line 23
3	Total	\$ 589,653	Line 1 plus Line 2
4	12 months to date (Jan - Dec) Industrial Customer Sales (kWh)	divided by 351,353,424	December RSP, Page 6
5	(mills per kWh)	1.68	Line 3/Line 4*1000
	Fuel Price Projection Rider		
6	Industrial Fuel Price Projection	\$ (411,113)	Industrial Filing Oct 2013
7	12 months to date (Jan - Dec) Industrial Customer Sales (kWh)	divided by 351,353,424	December RSP, Page 6
8	(mills per kWh)	(1.17)	Line 6/Line 7*1000
9	Total Current Plan (mills per kWh)	0.51	Line 5 plus Line 8
	Industrial RSP Adjustment Rate	0.51	Line 9

Industrial Customer Forecast Financing Charges
2014

2013 Test Year Weighted Average Cost of Capital per annum		7.829%		
Nominal Financing Rate		7.561%		
	2013 Sales kWh	Financing Costs	Adjustment	Total To Date Balance
10	Balance Forward			566,125
11	January	31,612,740	3,567	(53,109)
12	February	25,864,750	3,255	(43,453)
13	March	30,955,597	3,002	(52,005)
14	April	32,198,035	2,693	(54,093)
15	May	31,721,670	2,369	(53,292)
16	June	27,547,154	2,048	(46,279)
17	July	21,332,877	1,769	(35,839)
18	August	29,286,623	1,555	(49,202)
19	September	28,595,423	1,255	(48,040)
20	October	24,799,284	960	(41,663)
21	November	33,552,362	703	(56,368)
22	December	33,886,909	353	(56,930)
23	Total	351,353,424	23,528	(590,274)



Hydro Place, 500 Columbus Drive.
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Canada A1B 4K7
t. 709.737.1400 f. 709.737.1800
www.nlh.nl.ca

October 15, 2013

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Rate Stabilization Plan Fuel Price Projection – Industrial Customers

Order No. P.U. 14(2007) states that by the 10th working day of October, Hydro is to provide to the Board, to its Industrial Customers, and to Newfoundland Power an estimate of the Industrial Customer fuel rider that will become effective on January 1 of the coming year. The estimated fuel rider is to be based upon 12 months-to-date kWh sales to the end of September.

Due to the pending status of its 2013 General Rates Application for rates effective January 1, 2014, Hydro has provided the estimated fuel rider compared to both the 2007 Test Year (Schedule A) and 2013 Test Year (Schedule B) fuel price as summarized in the Table below.

	Fuel Rider (mills/kWh)	Forecast Fuel Price (\$Can/bbl)	Test Year Fuel Price (\$Can/bbl)	Difference (\$Can/bbl)
2007 Test Year	14.85	104.75	55.40	49.35
2013 Test Year	(1.17)	104.75	108.70	(3.95)

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Geoffrey P. Young
Senior Legal Counsel

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales

Thomas Johnson – Consumer Advocate
Thomas O'Reilly, QC – Cox & Palmer

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line

No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2007 Test Year Fuel Forecast Price	\$ 55.40	
3	Forecast Fuel Price Variance	\$ 49.35	Line 1 - Line 2
4	2007 Test Year No. 6 Barrels Consumed	1,878,188	
5	Forecast Fuel Variance	\$ 92,688,578	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ 5,236,905	Line 5 x Line 6

Calculation of Customer Allocation		kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.46%	93.56%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider		Amount	Comments
<u>Rate Rider</u>			
12	Industrial Allocation	\$ 5,236,905	From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	14.85	Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$5,236,905 is established as calculated above.

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
2014 January	105.70
February	102.00
March	101.40
April	100.00
May	98.20
June	99.90
July	101.50
August	102.80
September	103.30
October	103.90
November	101.50
December	98.00
Average \$Cdn/bbl ⁽²⁾	101.50
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

Industrial Customers

October 2013

Line

No	Customer Allocation	Amount	Comments
1	September Fuel Price Projection	\$ 104.75	From Page 2
2	2013 Test Year Fuel Forecast Price	\$ 108.70	
3	Forecast Fuel Price Variance	\$ (3.95)	Line 1 - Line 2
4	2013 Test Year No. 6 Barrels Consumed	1,842,112	
5	Forecast Fuel Variance	\$ (7,276,342)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	5.65%	From Line 9
7	Industrial Customer Allocation	\$ (411,113)	Line 5 x Line 6

Calculation of Customer Allocation		kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Oct 2012 - Sep 2013) Utility Sales	5,433,230,398	87.10%	6.43%	93.53%
9	12 months to date (Oct 2012 - Sep 2013) Industrial Customer Sales	352,544,876	5.65%	0.00%	5.65%
10	12 months to date (Oct 2012 - Sep 2013) Bulk Rural Energy	452,270,963	7.25%	-7.25%	0.00%
11	Total	6,238,046,237			

Estimate of Industrial Fuel Price Projection Rider
Rate Rider

	Amount	Comments
12	Industrial Allocation	\$ (411,113) From Line 7
13	12 months to date Industrial Sales (kWh)	352,544,876 From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh) ⁽¹⁾	(1.17) Line 12/Line 13 x 1000

⁽¹⁾ The Industrial allocation of \$-411,113 is established as calculated above.

NEWFOUNDLAND AND LABRADOR HYDRO
Rate Stabilization Plan Estimated Fuel Price Projection Rider

		\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾		
2014 January		105.70
February		102.00
March		101.40
April		100.00
May		98.20
June		99.90
July		101.50
August		102.80
September		103.30
October		103.90
November		101.50
December		98.00
Average \$Cdn/bbl ⁽²⁾		101.50
NLH Test Year Contract Discount (\$US/bbl)		<u>(0.218)</u>
		\$101.28
Can\$/US\$ Noon Exchange Rate ⁽³⁾		<u>1.0342</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾		<u>\$104.75</u>

Notes:

- (1) The forecast is based on the PIRA monthly short-term forecast dated September 2013.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Assumed to be 1:1 for forecast run.

APPENDIX B

Revenue Shortfall Deferral Account Definition

Revenue Shortfall Account Definition

This account shall be charged with the difference between revenue at approved 2013 Test Year Rates and billed revenue at existing rates for all regulated customers except Island Industrial Customers. A sub-account will be established for each of Hydro's systems.