newfoundland labrador hydro
a nalcor energy company

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November 25, 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 – Revision 1.

Please find enclosed the original and eight copies of a revised Schedule A page 11 of 11 of the above-noted application. This revision is necessary to correct the heading on this page which is shaded for ease of reference.

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 J. O'Reilly, Q.C. – Cox & Palmer
Stephanie Kearns – Olthuis, Kleer, Townshend LLP
Thomas Johnson – Consumer Advocate
Yvonne Jones, MP Labrador
Ed Hearn, Q.C. – Miller & Hearn

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
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Telephone: (709) 737-1277
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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	35,993
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

RATE 4.1G

STREET AND AREA LIGHTING SERVICE DIESEL

GOVERNMENT DEPARTMENTS (INTERIM) (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)	$85.32
HIGH PRESSURE SODIUM [1]	
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 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 = 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

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- 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

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

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.

Interim Rates Evidence

Newfoundland and Labrador Hydro

November 2013

newfoundland labrador hydro
a nalcor energy company

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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 approved[2] 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 mechanism[4] 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.

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

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

3.0 HISTORICAL USE OF INTERIM RATES

3.1 Hydro's 2006 Interim Rates Application

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

> *"WHEREAS a hearing has not been held in relation to Hydro's General Rate Application or Revised Application; and*
>
> *WHEREAS the Board has considered Hydro's request for a final rates Order to be effective January 1, 2007 and has determined that it will not approve final rates until fully testing the proposed rates, which may involve a public hearing or other process; and*
>
> *WHEREAS 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; and ...*
>
> *WHEREAS if, after a full review of Hydro's Revised Application, it is determined that excess revenue has been earned by Hydro as a result of the interim Order the Board may order, pursuant to Section 75(3) of the Act, that customers of Hydro receive a refund; and*
>
> *WHEREAS the Board is satisfied that granting approval of interim rates for January 1, 2007 is appropriate and reasonable in the circumstances..."*

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

3.2 Newfoundland Power's 2007 Interim Rates Application

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

3.3 Newfoundland Power's 2009 Interim Rates Application

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

5.0 INTERIM RATES REQUEST

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

Hydro requests interim rates in order to have 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. For example, Hydro's forecast 2014 RORB, estimated to be 7.00% if interim rates are not implemented until March 1, 2014, is well below the lower end of the approved range of return of 7.29%.

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

With regard to IC rates, Hydro proposes an increase of 58.9%[6] effective January 1, 2014. However, based on the Government directives[7], new IC rates are to be phased in over a three-year period with funding drawn from the Rate Stabilization Plan Surplus. Government directive OC2013-089, as amended, s. 2), directed the Board as follows:

> *"On August 31, 2013 the Island industrial customers' Rate Stabilization Plan will 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 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.

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

As stated in response to Request for Information PUB-NLH-7[8] filed during the 2013 RSP proceeding, the calculation of the amount of $49 million contemplates that Hydro's proposed GRA rates for IC would come into effect on January 1, 2014.

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

"…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."

In accordance with the rules of the RSP, on October 15, 2013 Hydro filed the Rate Stabilization Plan Fuel Price Projection for IC[9]. In its filing, Hydro provided information on two scenarios regarding IC rate implementation on January 1, 2014. One scenario assumes that existing IC rates remain in place on January 1, 2014, in which case the fuel rider is calculated based on a comparison of the current forecast fuel price of $104.75/bbl to the 2007 Test Year fuel price of $55.40/bbl. Given the significant increase in fuel prices since 2007, such a comparison yields a fuel rider of 14.85 mills/kWh, or an average increase in IC rates estimated at 36.2%. The second scenario assumes that Hydro's proposed rates are approved on an interim basis effective January 1, 2014. It is estimated that the average IC rate increase resulting from the RSP adjustment will be 3.4% thus resulting in a rate increase which is significantly reduced from that which would otherwise occur if interim rates were not implemented.

[8] Included as Appendix D.
[9] Included as Appendix E.

As shown in Table 3[10], if the interim rates Application is approved, all retail customers on the Island Interconnected System and the L'Anse au Loup System will receive a decrease.

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.

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

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

- Hydro is currently forecasting its 2014 RORB to be below the lower end of its approved range of return on rate base and interim rates approval will provide Hydro 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;
- The vast majority of retail customers affected by this Application will receive a decrease in their electricity bills effective January 1, 2014;
- If new base rates for IC are approved on January 1, 2014, as was contemplated in the IC rate phase in directed by Government, it will avoid a significant rate increase as a result of the RSP adjustment; and
- If it is determined that excess revenue has been earned by Hydro as a result of an interim rates implementation, the Board may order, pursuant to Section 75(3) of the Act, that customers of Hydro receive a refund.

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

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

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

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

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

6.0 REGULATORY DEFERRAL AND RECOVERY MECHANISM

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

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

7.0 CONCLUSION

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

The Public Utilities Act, S. 75, empowers the Board to approve interim rates without a public hearing. This legislation also gives the Board the authority to order that any excess revenue 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;

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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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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Last Updated: November 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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Last Updated: November 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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Last Updated: November 12, 2013

APPENDIX D

PUB-NLH-7
RSP Rules and Components to be charged to Industrial Customers
Page 1 of 2

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

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

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

August 31, 2013 RSP Balance Owing from IC			$39.0 million[1]
September 1, 2013 to December 31, 2013 Teck shortfall			
24,000,000 kWhs x 1.111 ¢ /kWh			$0.3 million
January 1, 2014 to December 31, 2014			
Revenue at Proposed Rates	$29.0 million[2]		
IC Billings at Phase-in Rates	$22.0 million[3]		$7.0 million
January 1, 2015 to August 31, 2015			
Revenue at Proposed Rates	$18.7 million[4]		
IC Billings at Phase-in Rates	$15.9 million[5]		$2.8 million
Total			$49.1 million

[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

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

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

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

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

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

APPENDIX E

newfoundland labrador hydro
a nalcor energy company

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

	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	
	Rate Rider			
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)		(0.218)
		$101.28
Can$/US$ Noon Exchange Rate [3]		1.0342
NLH Fuel Price Projection ($Can/bbl) [2]		$104.75

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	
	Rate Rider			
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)		(0.218)
		$101.28
Can$/US$ Noon Exchange Rate [3]		1.0342
NLH Fuel Price Projection ($Can/bbl) [2]		$104.75

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

	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 Newfoundland Power Fuel Price Projection Rider	Amount	Comments
	Rate Rider		
12	Newfoundland Power Allocation	$ (6,805,563)	From Line 7
13	12 months to date Newfoundland Power Sales (kWh)	5,433,230,398	From Line 9
14	Estimated Fuel Price Projection Rider (mills per kWh)	(1.25)	Line 12/Line 13 x 1000

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)		(0.218)
		$101.28
Can$/US$ Noon Exchange Rate [3]		1.0342
NLH Fuel Price Projection ($Can/bbl) [2]		$104.75

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.