

May 12, 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: Second Application by Newfoundland and Labrador Hydro ("Hydro"), pursuant to Sections 70 and 75 of the Public Utilities Act (the "Act"), for the interim approval of customer electricity rates for 2014 pursuant to Order No. P.U. 13(2014).**

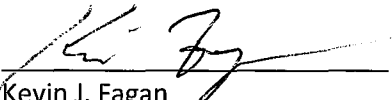
Please find enclosed the original and 12 copies of the above-noted application, evidence and supporting affidavit.

Please note, the proposed Rate Stabilization Plan rules provided in Schedule 1 no longer include the section related to historical balances, as it is no longer applicable. The other proposed revisions to the Rate Stabilization Plan rules have been shaded.

Please contact the undersigned, should you have any questions.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

  
Kevin J. Fagan  
Manager, Rates and Regulation

KJF/jc

cc: Gerard Hayes – Newfoundland Power  
Paul Coxworthy – Stewart McKelvey Stirling Scales  
Thomas J. O'Reilly, Q.C. – Cox & Palmer  
Senwung Luk – 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** a second application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the *Act*, for the interim approval of customer electricity rates for 2014 pursuant to Order No. P.U. 13(2014) (the “Application”).

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

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

**Background**

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. 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.

4. 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.
5. In Orders No. P.U. 26(2013) and P.U. 29(2013) the Board approved certain items relating to the direction from Government, including an approval of a (1.111)¢ per kWh RSP adjustment for Teck, but did not approve the remaining RSP rules related to the phase-in of rates for the Industrial Customers.
6. The Board was not in a position to make the necessary determinations on the 2013 General Rate Application to permit Hydro to implement a change in customer rates with effect from January 1, 2014.
7. In November 2013, Hydro filed an interim application to change customer rates to enable it to be provided the opportunity to recover its costs, including a reasonable return on rate base for 2014 as required by Section 80 of the Act and to enable the phase-in of 2013 Test Year rates to Island Industrial Customers.

8. In February 2014, Hydro amended its interim application for the implementation of new customer rates (the “Amended Interim Rate Application”).
9. In Order No. P.U. 13(2014), the Board dismissed the Amended Interim Rate Application but indicated it would permit Hydro to file “another application which contains clear and unambiguous proposals supported with comprehensive and consistent evidence”.

#### **Application Proposals**

10. Hydro now makes application that the Board make an interim Order pursuant to Section 75 of the *Act*, approving on an interim basis:
  - i) a transfer of \$29.4 million from the \$68.6 million credit balance in the Hydraulic Production Variation component of the Rate Stabilization Plan (as of March 31<sup>st</sup>, 2014) to be recognized as revenue by Hydro in 2014 to provide an opportunity to earn a reasonable return on rate base in 2014;
  - ii) approval of an Industrial Customer fuel rider of 1.490¢ per kWh effective January 1, 2014 in accordance with existing RSP rules;
  - iii) approval of a recovery adjustment rider of 0.168¢ per kWh effective July 1, 2014 for disposition of the Industrial Customer Current Plan RSP balance at December 31<sup>st</sup>, 2013;
  - iv) revised RSP rules effective January 1, 2014 to permit the use of the Industrial Customer RSP Surplus to permit the phase-in of Island

Industrial Customer rates. Schedule 1 provides the proposed RSP rules;  
and

- v) the phase-in of Island Industrial Customer rates as provided in the Schedules 2, 3 and 4 to this Application. Schedule 2 provides the Industrial Customer rates to become effective January 1, 2014. Schedule 3 provides the Industrial Customer rates to become effective July 1, 2014. Schedule 3 provides the Industrial Customer rates to become effective September 1, 2014.

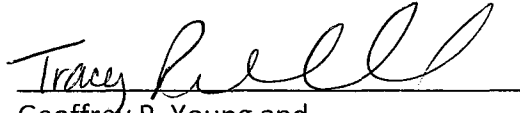
#### **Reason for Approval**

- 11. The evidence provided with this Application provides clear and unambiguous proposals supported with comprehensive and consistent evidence as required by Order No. P.U. 13(2014).
- 12. The changes to the Industrial Customer rates, as set out in the Schedules to this Application, and explained in the Evidence to the Application are in accordance with direction provided by the Government to implement the phase-in of Island Industrial Customer rates.
- 13. 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.

14. Approval of the Application will enable Hydro to recover its costs in 2014, and provide an opportunity for it to attain a reasonable return on rate base as required by Section 80 of the *Act*.
15. Upon the approval of final rates by the Board, the actual 2014 shortfall and recovery methodology will be determined by the Board. The proposed interim approach to use the credit RSP balance to provide 2014 revenue to Hydro does not create any negative impact on customers. Therefore, a public hearing of this application is not necessary.
16. The proposals reflected in this Application provide a reasonable balance of the interests of Hydro and its customers and provides a practical approach to the phase-in of Island Industrial Customer rates prior to the conclusion of the GRA process.

**DATED AT** St. John's in the Province of Newfoundland and Labrador this 12<sup>th</sup> day of May,  
2014.

A handwritten signature in black ink, appearing to read 'Tracey Pennell', written over a horizontal line.

Geoffrey P. Young and

Tracey L. Pennell

Counsel for the Applicant

Newfoundland and Labrador Hydro,

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St. John's, Newfoundland, A1B 4K7

Telephone: (709) 737-1277

Facsimile: (709) 737-1782

**RATE STABILIZATION PLAN (INTERIM)**

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.



**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (INTERIM) (Continued)**

**Schedule 1**

**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

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (INTERIM) (Continued)**

**Schedule 1**

**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 <sup>1</sup>

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 ordered by the Board of Commissioners of Public Utilities.

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<sup>1</sup>

- Hydro's schedule of rates for its rural customers not affected by the December 6<sup>th</sup>, 2006 Government directive.
- For customers affected by the December 6<sup>th</sup>, 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 6<sup>th</sup>, 2006 Government directive.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (INTERIM) (Continued)**

**Schedule 1**

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:

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

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (INTERIM) (Continued)**

**Schedule 1**

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 10<sup>th</sup> 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.

**RATE STABILIZATION PLAN (INTERIM) (Continued)**

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 10<sup>th</sup> 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**

2.1 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.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (INTERIM) (Continued)**

**Schedule 1**

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 For 2014, the fuel rider will become effective January 1, 2014 and the balance disposition adjustment rate will commence July 1, 2014.

**Section E: 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. An Industrial Class RSP Surplus Credit will be set equal to the ¢ per kWh rate that fully negates the RSP fuel rider for the period January 1, 2014 to August 31, 2014. The Industrial Class RSP Surplus Credit will be reduced by 50% for the period September 1, 2014 to December 31, 2014. The disposition of the remaining balance will be subject to an Order of the Board. The Industrial Class RSP Surplus Credit applies to all Island Industrial Customers.

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 until such time as its disposition occurs in accordance with an Order of the Board of Commissioners of Public Utilities 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.

**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 \$6.68 per month per kilowatt of billing demand.

**Firm Energy Charge:**

Base Rate\* ..... @ 3.676 ¢ per kWh

**RSP Adjustment:**

Current Plan ..... @ 0.000 ¢ per kWh

Fuel Rider ..... @ 1.490 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours ..... @ 1.490 ¢ per kWh

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

Industrial Customer RSP Surplus Credit Adjustment .....@ (1.490) ¢ per kWh

Net Energy Rate\*\* ..... @ 3.676 ¢ per kWh

**\*\* Industrial Customers excluding Teck Resources Limited**

Teck Resources Limited Net Energy Rate ..... @ 2.565 ¢ 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.

**NEWFOUNDLAND AND LABRADOR HYDRO****INDUSTRIAL - FIRM (continued) - INTERIM****Specifically Assigned Charges:**

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

	<b>Annual Amount</b>
Abitibi-Consolidated (Grand Falls)	\$ 1,244
Abitibi-Consolidated (Stephenville)	\$ 104,647
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Teck Resources Limited	\$ 186,169

**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**  
**INDUSTRIAL - FIRM (continued) - 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 2005 (2.68%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 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****INDUSTRIAL - WHEELING - 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 and whose Industrial Service Agreement so provides.

**Rate:****Energy Charge:**

All kWh (Net of losses)\* ..... @ 0.384 ¢ per kWh

\* For the purpose of this Rate, losses shall be 2.68%, the average system losses on the Island Interconnected Grid for the last five years ending in 2005.

**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****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 \$6.68 per month per kilowatt of billing demand.

**Firm Energy Charge:**

Base Rate\* ..... @ 3.676 ¢ per kWh

**RSP Adjustment:**

Current Plan ..... @ 0.168 ¢ per kWh

Fuel Rider ..... @ 1.490 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours ..... @ 1.658 ¢ per kWh

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

Industrial Customer RSP Surplus Credit Adjustment .....@ (1.490) ¢ per kWh

Net Energy Rate\*\* ..... @ 3.844 ¢ per kWh

**\*\* Industrial Customers excluding Teck Resources Limited**

Teck Resources Limited Net Energy Rate ..... @ 2.733 ¢ 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.

**NEWFOUNDLAND AND LABRADOR HYDRO****INDUSTRIAL - FIRM (continued) - INTERIM****Specifically Assigned Charges:**

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

	<b>Annual Amount</b>
Abitibi-Consolidated (Grand Falls)	\$ 1,244
Abitibi-Consolidated (Stephenville)	\$ 104,647
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Teck Resources Limited	\$ 186,169

**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**  
**INDUSTRIAL - FIRM (continued) - 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 2005 (2.68%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 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****INDUSTRIAL - WHEELING - 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 and whose Industrial Service Agreement so provides.

**Rate:****Energy Charge:**

All kWh (Net of losses)\* ..... @ 0.384 ¢ per kWh

\* For the purpose of this Rate, losses shall be 2.68%, the average system losses on the Island Interconnected Grid for the last five years ending in 2005.

**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****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 \$6.68 per month per kilowatt of billing demand.

**Firm Energy Charge:**

Base Rate\* ..... @ 3.676 ¢ per kWh

**RSP Adjustment:**

Current Plan ..... @ 0.168 ¢ per kWh

Fuel Rider ..... @ 1.490 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours ..... @ 1.658 ¢ per kWh

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

Industrial Customer RSP Surplus Credit Adjustment .....@ (0.745) ¢ per kWh

Net Energy Rate ..... @ 4.589 ¢ per kWh

**\*\* Industrial Customers excluding Teck Resources Limited**

Teck Resources Limited Net Energy Rate ..... @ 3.478 ¢ 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.

**NEWFOUNDLAND AND LABRADOR HYDRO****INDUSTRIAL - FIRM (continued) - INTERIM****Specifically Assigned Charges:**

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

	<b>Annual Amount</b>
Abitibi-Consolidated (Grand Falls)	\$ 1,244
Abitibi-Consolidated (Stephenville)	\$ 104,647
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Teck Resources Limited	\$ 186,169

**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**  
**INDUSTRIAL - FIRM (continued) - 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 2005 (2.68%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 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****INDUSTRIAL - WHEELING - 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 and whose Industrial Service Agreement so provides.

**Rate:****Energy Charge:**

All kWh (Net of losses)\* ..... @ 0.384 ¢ per kWh

\* For the purpose of this Rate, losses shall be 2.68%, the average system losses on the Island Interconnected Grid for the last five years ending in 2005.

**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.**

**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** a second application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the Act, for the interim approval of customer electricity rates for 2014 pursuant to Order No. P.U. 13(2014).

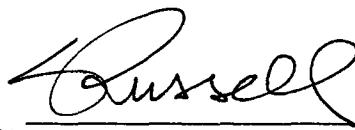
**AFFIDAVIT**

I, Carla L. Russell, Chartered Accountant, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am General Manager, Finance 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 12<sup>th</sup> day of May 2014, )  
before me: )

  
Barrister – Newfoundland and Labrador

  
Carla L. Russell, C.A.

# **Evidence on Second Application for Interim Rates**

**Newfoundland and Labrador Hydro**

May 2014



## **Table of Contents**

1.0	INTRODUCTION .....	1
2.0	2014 FINANCIAL FORECAST .....	2
2.1	2013 Test Year .....	2
2.2	2014 Update .....	3
2.3	Shortfall .....	4
3.0	SHORTFALL RECOVERY OPTIONS .....	5
3.1	Option 1 - Recovery Upon Approval of Final Rates.....	5
3.2	Option 2 - Implement New Rates.....	6
3.3	Option 3 - Access RSP Credit Balance .....	6
	3.3.1 Load Variation Component.....	6
	3.3.2 Hydraulic Component .....	7
3.4	Recovery Proposal .....	7
4.0	Phase-In of IC Rates .....	8
4.1	General .....	8
4.2	Base Rates .....	8
4.3	Interim Phase-in Proposal .....	8
4.4	IC Rate Phase-in Summary .....	10
5.0	SUMMARY .....	11

### Appendices:

- Appendix A GRA Forecast 2014 Income Statement – Existing vs. Proposed Rates
- Appendix B March 2014 RSP Report
- Appendix C Proposed IC RSP Adjustments
- Appendix D Phase-in Proposal Forecast Impact on IC RSP Surplus

1    **1.0    INTRODUCTION**

2    On July 30, 2013, Newfoundland and Labrador Hydro (“Hydro” or the “Applicant”) filed its  
3    General Rate Application (“GRA”) to adjust customer rates effective January 1, 2014. As it  
4    became clear that final rates would not be approved by January 1, 2014, on November 18,  
5    2013 Hydro filed an Application requesting that the Board approve either (i) the  
6    implementation of new rates (based upon the GRA filing) on an interim basis effective  
7    January 1, 2014 for certain Hydro’s customer classes; or (ii) a deferral and recovery  
8    mechanism whereby Hydro would defer any revenue shortfall that results from delayed  
9    implementation of rates proposed in the GRA for recovery commencing at the time of the  
10   new rate implementation.<sup>1</sup>

11   To address the Board’s concerns with the Interim Rate Application, Hydro filed an amended  
12   Interim Rates Application (the “Amended Interim Application”) on February 11, 2014.<sup>2</sup> The  
13   Amended Interim Application effectively proposed to: (i) make existing rates interim for all  
14   customers except the Island Industrial Customers (IC); (ii) implement proposed 2013 Test  
15   Year rates for IC on an interim basis effective January 1, 2014; (iii) re-activate the RSP rules  
16   for setting IC rates effective January 1, 2014; and (iv) implement a deferral and recovery  
17   account to provide for recovery of the 2014 revenue shortfall upon approval of final  
18   customer rates. In Order No P.U. 13(2014), the Board dismissed the Amended Interim  
19   Application because the supporting evidence did not provide a “comprehensive,  
20   unambiguous set of proposals”.<sup>3</sup>

21   The GRA process is ongoing with the hearing scheduled to begin in July and the earliest final  
22   rates are anticipated to be implemented is in the fall of 2014. However, with the number of

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<sup>1</sup> The Interim Rates Application also proposed implementation of IC rates in compliance with Government directives.

<sup>2</sup> The Requests for Information submitted by Newfoundland Power indicated a concern with changing the Utility rate and its customer rates in advance of the Board completing the GRA process. In Order No. P.U. 40 (2013), the Board stated 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”.

<sup>3</sup> Board Order No. P.U. 13(2014), page 10.

1 applications currently before the Board and the ongoing hearing on the reliability of  
2 electricity supply, it is possible that final rates may not be approved until 2015.<sup>4</sup>

3 This evidence is provided in support of this Second Application for Interim Rates to (i)  
4 clearly demonstrate Hydro's requirement for additional revenue in 2014; and (ii) provide a  
5 proposal for additional revenue in 2014 which balances the objectives of reasonable cost  
6 recovery and customer impacts.

7 The evidence also addresses the requirement to phase-in cost-based IC rates in accordance  
8 with Government directives.

9

## 10 **2.0 2014 FINANCIAL FORECAST**

### 11 **2.1 2013 Test Year**

12 Board approval of the proposed rates included in Hydro's GRA based upon a 2013 Test Year  
13 effective January 1, 2014 would have provided a 2014 forecast net income of \$33.2 million.<sup>5</sup>

14 The GRA forecast net income under existing rates for all of 2014 is \$3.8 million. A net  
15 income of \$3.8 million corresponds to a forecast 1.1% return on equity for 2014<sup>6</sup> and a  
16 return on rate base of 5.84%.<sup>7</sup>

17 Appendix A to this evidence provides 2014 forecast income statements under the existing  
18 and proposed rates based upon the forecast 2014 costs filed in the GRA.

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<sup>4</sup> There are currently Hydro applications before the Board for approval of a 100 MW combustion turbine and approval of a new transmission line from Bay D'Espoir to Western Avalon.

<sup>5</sup> The 2014 forecast rate of return on rate base under proposed rates effective January 1, 2014 is 7.49%. See response to Request for Information IR-PUB-NLH-021.

<sup>6</sup> See response to Request for Information IR-PUB-NLH-052, page 2 of 3.

<sup>7</sup> The forecast rate of return on rate base in the 2013 Test Year, reflecting the Government directive on return on equity, is 7.83%.

## 2.2 2014 Update

Hydro's 2014 financial outlook has changed materially since the filing of its financial forecast during the GRA process. During the first quarter of 2014, Hydro has incurred material increases in supply costs on the Island Interconnected System compared to forecast. Table 1 provides a summary of the increased supply costs relative to forecast for the first quarter of 2014 that are not subject to RSP recovery.

<b>Table 1</b> <b>Supply Cost Variances from Forecast – First Quarter 2014</b> <b>(\$000s)</b>				
	January	February	March	Total
<b>Purchases - CBPP<sup>8</sup></b>	5,680	103	343	6,126
<b>Fuel – Gas Turbines and Diesels<sup>9</sup></b>	2,235	2,074	1,224	5,533
Holyrood Fuel Savings <sup>10</sup>	(1,228)	(185)	(290)	(1,703)
<b>Total</b>	<b>6,687</b>	<b>1,992</b>	<b>1,277</b>	<b>9,956</b>

Table 1 shows that Hydro incurred approximately \$10 million additional supply costs in the first quarter of 2014 that are not reflected in its 2014 forecast provided in the GRA. The RSP does not provide for recovery of these supply cost variances.

The largest supply cost variance resulted from the short-term purchase arrangement established with Corner Brook Pulp and Paper to provide capacity to support the Island Interconnected System during the months of January to March 2014. The requirement to

<sup>8</sup> This cost was incurred as a result of entering a short-term purchase arrangement with Corner Brook Pulp and Paper to address Island Interconnected System supply shortages from January to March 2014.

<sup>9</sup> Includes fuel cost variances for Hydro's gas turbines and diesels plus costs incurred for requesting Newfoundland Power to run its thermal generation.

<sup>10</sup> Fuel savings at Holyrood based upon the 2007 Test Year price of approximately \$55 per barrel. Hydro would have included this fuel price in its forecast fuel cost under existing rates.



1 use additional diesel and gas turbine generation also materially contributed to the supply  
2 cost increase relative to forecast for the first quarter.<sup>11</sup>

3 Hydro will also incur additional consulting and legal costs as a result of the ongoing review  
4 of the Island Interconnected System Supply Issues and Power Outages. There will also be  
5 additional unbudgeted costs incurred in 2014 to address the recommendations of Liberty  
6 Consulting and possibly the Board resulting from this proceeding.<sup>12</sup> This evidence does not  
7 deal with recovery of these additional 2014 costs. However, the additional supply costs  
8 incurred to date for 2014 would indicate a 2014 forecast net income loss under existing  
9 rates of approximately \$6 million.

10 The forecast financial loss under existing rates further demonstrates the requirement for  
11 additional revenue by Hydro in 2014.

## 12 **2.3 Shortfall**

13 As indicated in Section 2.1, Hydro's 2014 GRA forecast net income shortfall under existing  
14 rates relative to proposed rates is approximately \$29.4 million (i.e., \$33.2 minus \$3.8).<sup>13</sup>  
15 This does not include the approximate \$10 million additional supply costs incurred in the  
16 first quarter of 2014.

17 Hydro is proposing that the Board issue an interim order that provides \$29.4 million in  
18 additional cost recovery for Hydro in 2014.<sup>14</sup> This amount reflects the difference between

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<sup>11</sup> Had all the generation provided by CBPP, gas turbines and diesels been provided by the Holyrood generating facility, Hydro would have incurred approximately \$3.3 million in fuel costs and recovered \$1.6 million through the RSP due to fuel price variance relative to 2007 Test Year (i.e., \$3.3 million less the \$1.7 million shown in Table 1).

<sup>12</sup> In addition to the cost implications resulting from the Board's ongoing review of the Island Interconnected System Supply Issues and Power Outages, there is also an additional \$3.8 million costs forecast for 2014 resulting from the Holyrood Blackstart lease. The lease costs are currently deferred per Order No. P.U. 38(2013) and awaiting further Board direction.

<sup>13</sup> This differs from the revenue shortfall referred to in the Amended Interim Rates Application filed in February 2014. The revenue shortfall in the Amended Interim Rates Application was strictly referring to the increase in revenue requirement from Newfoundland Power under the 2013 Test Year.

<sup>14</sup> Hydro does not pay income taxes. The only additional taxes that apply as a result of additional revenue are municipal taxes of 2.5%. Therefore, a change in revenue by \$1 is approximately equal to a change in net income of \$1.

the 2014 forecast net income based upon the proposed rates of \$33.2 million and the 2014 forecast net income based upon the existing rates of \$3.8 million.

### **3.0 SHORTFALL RECOVERY OPTIONS**

#### **3.1 Option 1 - Recovery Upon Approval of Final Rates**

The Board has the option to wait until the conclusion of the GRA to determine the exact amount of the 2014 net income shortfall and approve a recovery approach at that time.<sup>15</sup> Hydro does not believe this is a reasonable approach.

Implementation of interim rates to provide additional revenue to the utility in advance of concluding a GRA is common by regulators in Canada and the United States.<sup>16</sup> From Hydro's perspective, dealing with the forecast net income shortfall in advance of completion of the GRA process will enable Hydro to forecast reasonable cost recovery in 2014 and provide more certainty to lenders and other stakeholders that it will have an opportunity to earn a reasonable return in 2014.

The current forecast of a net income loss in 2014 (based upon existing rates) combined with the uncertainty of whether a final rate order will be issued prior to year-end creates uncertainty of Hydro's opportunity to earn a reasonable return in 2014.

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<sup>15</sup> At the conclusion of Newfoundland Power's 2013 GRA, the Board determined a revenue shortfall for Newfoundland Power resulting from delayed rate implementation of approximately \$4 million. Recovery was dealt with through an amortization reflected in Test Year(s) revenue requirement.

<sup>16</sup> The evidence of Mr. Larry Brockman filed with the Board on February 24, 2014 regarding the RSP Surplus disposition includes a number of instances where rate increases were implemented on an interim basis. Canadian jurisdictions include Saskatchewan, New Brunswick and FortisBC in British Columbia. In the United States, rate increases were implemented on an interim basis in Alaska, Connecticut, Delaware, Hawaii, Kentucky, Louisiana, Michigan, Minnesota, Montana, North Dakota and South Dakota. In all these cases, when final rates were approved, the interim rates were determined to be too high and rebates or rate adjustments resulted. There is also an ongoing proceeding in Manitoba in which Manitoba Hydro is proposing a customer rate increase on an interim basis.

1    **3.2     Option 2 - Implement New Rates**

2    The \$29.4 million net income shortfall proposed for recovery reflects approximately 5.8% of  
3    forecast customer billings for 2014 under existing rates.<sup>17</sup> The Board could approve an  
4    interim rate rider to apply to customer bills to recover the \$29.4 million from customers.

5    Given that Island Interconnected System retail rates are proposed to increase on July 1<sup>st</sup> to  
6    reflect a revised RSP factor and there are material proposed increases for the IC, as set forth  
7    in section 4.0, an additional rate increase in advance of the Board concluding the GRA  
8    process would impose hardship on customers and is not preferred given another option  
9    available to provide the additional revenue required in 2014.

10   **3.3     Option 3 - Access RSP Credit Balance**

11   **3.3.1 Load Variation Component**

12   As of the end of March 2014, the segregated Load Variation Component has a credit  
13   balance of \$15.4 million<sup>18</sup>. This additional Load Variation balance has accumulated since the  
14   Load Variation balance at August 31<sup>st</sup>, 2013 was set aside for disposition in accordance with  
15   Government directives.<sup>19</sup>

16   The approach to sharing the Load Variation balance between Newfoundland Power and the  
17   IC is currently being dealt with in the GRA process.<sup>20</sup> Until this matter is resolved, Hydro  
18   proposes that it not use the funds that have accumulated as a result of load variations to  
19   recover the current shortfall.

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<sup>17</sup> 5.8% = \$29.4 million divided by \$509 million. The \$509 million is from Table 4.4 on page 4.16 of GRA evidence.

<sup>18</sup> See Appendix B, page B12 of the March Rate Stabilization Plan report.

<sup>19</sup> In Order No. P.U. 29(2013), the Board ordered that the Load Variation from IC and Newfoundland Power be held in a separate account until it is approved for disposition. The credit balance will continue to accumulate until either IC load exceeds that used in setting rates in 2007 (at which time it will begin to decline) or upon the setting of revised rates based upon a new test year forecast.

<sup>20</sup> Hydro has proposed the Load Variation component be allocated each month based upon 12 month-to-date energy usage.

1    **3.3.2 Hydraulic Component**

2    The hydraulic component of the RSP (the “Hydraulic Production Variation”) had a credit  
3    balance owing to customers of approximately \$40 million at the end of 2013. At the end of  
4    March 2014, the credit balance has increased to \$68.6 million.<sup>21</sup> The credit balance reflects  
5    fuel savings that have accumulated due to higher hydraulic production than reflected in  
6    customer rates when set on January 1, 2007.

7    In the Settlement Agreement on Revenue Requirement approved by the Board following  
8    Hydro’s GRA in 2006, the Board approved the use of a credit balance of \$20.7 million of the  
9    Hydraulic Production Variation balance to reduce rate impacts on customers.<sup>22</sup> Hydro  
10   believes the approach used by the Board at Hydro’s previous GRA to utilize the RSP credit  
11   balance owing to customers to offset current costs owing from customers also has merit in  
12   the current circumstances.

13   **3.4      Recovery Proposal**

14   Hydro proposes that the Board approve on an interim basis that \$29.4 million of the RSP  
15   credit balance in the Hydraulic component be provided to Hydro to record as revenue in  
16   2014. Appendix B provides the March 2014 RSP report.

17   The actual amount of the 2014 shortfall will be determined upon the establishment of final  
18   2014 rates by the Board. The method of recovery will be subject to approval of the Board.  
19   However, Hydro believes a proposal on the method of recovery of the actual 2014 shortfall  
20   can be addressed through the GRA negotiation process scheduled for June and  
21   subsequently through the final order of the Board.<sup>23</sup>

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<sup>21</sup> At December 31<sup>st</sup> of each year, 25% of the Hydraulic Production Variation balance and 100% of the annual financing charges are transferred to the current balance to be reflected in the RSP adjustments. On December 31<sup>st</sup>, 2013, \$16.7 million was transferred from the Hydraulic Production Variation balance.

<sup>22</sup> See Order No. P.U. 8(2007) page 29-30.

<sup>23</sup> A portion of the shortfall may be allocated for recovery from customers on the Labrador Interconnected System. As these customers have not contributed to the credit balance in the RSP, an amortization in the 2013 Test Year revenue requirement may be required for recovery in this circumstance.

1     **4.0     Phase-In of IC Rates**

2     **4.1     General**

3     Hydro is required by Government directive to use the RSP Surplus assigned to the IC to  
4     offset the customer impacts of moving to cost-based rates over a three-year phase-in  
5     period. The Government directive also required the IC be subject to rate changes as a result  
6     of the operation of the RSP during 2014.

7     **4.2     Base Rates**

8     In its GRA, Hydro has proposed a phase-in of IC base rates using the 2013 Test Year  
9     proposed rates as its target outcome. However, modifying IC base rates prior to final  
10    approval of the 2013 Test Year effectively requires Newfoundland Power's base rates to be  
11    also modified for consistency with the operation of the RSP. The RSP would then be  
12    required to be computed using 2013 Test Year values prior to the 2013 Test Year being  
13    approved.

14   The implementation of new base rates on an interim basis on the Island Interconnected  
15   System creates material complexity because of the requirement for consistency between  
16   customer rates and the operation of the RSP. This complexity was referred to by the Board  
17   in dismissing Hydro's Amended Interim Application in Order No. P.U. 13(2014).

18   Hydro has concluded that a simpler approach is appropriate which allows the phase-in of IC  
19   rates without changing the base rates of IC and Newfoundland Power.

20   **4.3     Interim Phase-in Proposal**

21   Between test years, a fuel rider is implemented to reflect the Holyrood fuel price change  
22   since the previous test year (2007 Test Year for Hydro). The IC rates do not currently include  
23   a fuel rider and, as a result, their rates do not recover the increased cost of Holyrood fuel  
24   since the 2007 Test Year.

1 The IC fuel rider, if implemented January 1<sup>st</sup>, 2014, would have been 1.490¢ per kWh.  
2 Hydro proposes on an interim basis to implement this fuel rider effective January 1, 2014  
3 but to fully negate the impact on the IC billings for the period January 1<sup>st</sup>, 2014 to August  
4 31<sup>st</sup>, 2014 by the use of the IC RSP Surplus. This approach results in the RSP continuing to  
5 operate relative to the 2007 Test Year with fuel costs relative to the 2007 Test Year being  
6 recovered from the IC.

7 In compliance with the intent of OC2013-089, Hydro proposes to implement a current RSP  
8 recovery rate of 0.168¢ per kWh calculated based upon the December 31<sup>st</sup>, 2013 IC RSP  
9 balance. However, rather than bill customers retroactively for this rate change, Hydro  
10 proposes to implement this rate change July 1<sup>st</sup>, 2014. This will result in a 3.4% average  
11 increase for IC excluding Teck and a 4.0% increase for Teck.<sup>24</sup>

12 Appendix C provides the computation of the IC RSP fuel rider and the IC RSP recovery rate.

13 On September 1<sup>st</sup>, 2014, it is proposed that the phase-in of cost based rates would continue  
14 and the amount of the IC RSP Surplus credit be reduced by 1/2 resulting in an IC RSP Surplus  
15 credit of (0.745)¢ per kWh. The September rate change will result in an average increase for  
16 IC excluding Teck of 14.6% and 16.9% for Teck.<sup>25</sup>

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<sup>24</sup> These increases are relative to existing rates.

<sup>25</sup> The 14.6% and 16.9% is computed relative to the July 1<sup>st</sup> rates. The actual percentage increase will vary depending upon customer usage characteristics.

- 1 Table 2 provides a summary of the proposed IC rates for 2014.

<b>Table 2</b> <b>Summary of IC Interim Rate Proposals</b>				
	<b>Existing</b>	<b>Jan. 1, 2014</b>	<b>July 1, 2014</b>	<b>Sept. 1, 2014</b>
Firm Demand Charge (\$ per kW)	\$6.68	\$6.68	\$6.68	\$6.68
Base Energy Charge (¢ per kWh)	3.676	3.676	3.676	3.676
RSP Fuel Rider	0.0	1.490	1.490	1.490
Current Balance Rider (¢ per kWh)	0.0	0.0	0.168	0.168
RSP Surplus Credit (¢ per kWh)	0.0	(1.490)	(1.490)	(0.745)
Teck Rider (¢ per kWh)	(1.111)	(1.111)	(1.111)	(1.111)
Average Rate Change excluding Teck	n/a	0%	3.4%	14.6%
Rate Change for Teck	n/a	0%	4.0%	16.9%

- 2 Appendix D to this evidence provides the 2014 forecast reduction in the IC RSP Surplus for  
3 2014 under the IC phase-in rate proposal under interim rates.<sup>26</sup>

- 4 During the negotiation process scheduled for June, Hydro will request the views of the IC on  
5 the phase-in approach to be applied once 2014 final rates are approved. This will occur  
6 before Hydro files a proposal to the Board for a final rate phase-in plan.

#### 7 **4.4 IC Rate Phase-in Summary**

- 8 Hydro's proposals to phase-in IC rates on an interim basis, through the use of the fuel rider  
9 based upon 2007 Test Year costs in combination with an IC RSP Surplus Credit, provides a  
10 reasonable approach to phase-in cost-based IC rates while the GRA process is ongoing.

- 11 The proposed approach allows for continued operation of the RSP relative to the 2007 Test  
12 Year fuel costs, is transparent, and avoids the RSP complexity that results from making  
13 changes to customer base rates before final rates are approved.

<sup>26</sup> The portion of the 2014 RSP credit resulting from the pending decision of the Board on Load Variation allocation can be utilized to minimize the impact of any outstanding IC RSP Surplus balance owing from customers at the conclusion of the phase-in period.

1 Further, the proposed rate design approach ensures IC rates reasonably recover fuel costs  
2 in 2014.<sup>27</sup>

### 3 **5.0 SUMMARY**

4 The evidence demonstrates Hydro's requirement for additional revenue in 2014 and  
5 provides a proposal under interim rates to provide a reasonable opportunity for cost  
6 recovery in 2014.

7 The use of interim rates to provide additional revenue to the utility in advance of concluding  
8 a GRA is common by regulators in Canada and the United States. Addressing Hydro's 2014  
9 forecast net income shortfall prior to conclusion of the GRA will enable Hydro to forecast  
10 reasonable cost recovery in 2014 and provide more certainty to lenders and other  
11 stakeholders that it will have an opportunity to earn a reasonable return in 2014.

12 Hydro's proposal will allow Hydro to recognize additional revenue of \$29.4 million in 2014  
13 based upon the difference between the application of existing rates and proposed rates to  
14 forecast sales for 2014 (as presented in the GRA). This proposal does not provide recovery  
15 to Hydro of supply costs incurred in the first quarter of 2014 beyond those reflected in the  
16 GRA forecast.

17 Hydro's proposal to use a portion of the credit balance in the Hydraulic component of the  
18 RSP to provided increased revenue in 2014, on an interim basis, balances the objectives of  
19 reasonable cost recovery and managing customer impacts. A similar approach was  
20 approved by the Board at Hydro's 2006 GRA to reduce future recovery of customer costs.

21 The actual shortfall for 2014 will be determined based upon the approval of final rates by  
22 the Board following the conclusion of the GRA process. The Board will then approve the  
23 final cost recovery approach for the 2014 shortfall.

---

<sup>27</sup> The amounts from the IC RSP Surplus Credit accumulate to the RSP and do not impact the net income of Hydro.



- 1 The IC rate phase-in proposal under interim rates is in accordance with the Government
- 2 directives and provides recovery of costs from IC while giving reasonable consideration to
- 3 customer impacts.

**Appendix A**

**Forecast Income Statement**

**Financial Results and Forecasts**  
**Statement of Income**  
**(\$000s)**

	<b>Budget - Proposed</b>	<b>Budget - Existing</b>
	<b>Rates</b>	<b>Rates</b>
	<b>2014</b>	<b>2014</b>
<b>1 Revenue</b>		
2     Energy sales	601,418	502,238
3     Other revenue	2,323	2,323
<b>4 Total revenue</b>	<b>603,741</b>	<b>504,561</b>
<b>5</b>		
<b>6 Expenses</b>		
7     Operating expenses	116,756	116,708
8     Loss on disposal of property, plant, and equipment	2,760	2,760
9     Fuels		
10         No.6 Fuel	236,060	236,060
11         Rate stabilization plan deferral	(9,534)	(81,593)
12         Diesel and other	19,985	19,985
13 <b>Total Fuels</b>	<b>246,511</b>	<b>174,452</b>
14     Power purchases	59,199	59,058
15     Amortization	56,051	56,073
16     Accretion of asset retirement obligation	865	843
17     Interest	88,388	90,898
<b>18 Total expenses</b>	<b>570,530</b>	<b>500,792</b>
<b>19</b>		
<b>20 Net income before cost of service exclusions</b>	<b>33,211</b>	<b>3,769</b>
21     less: cost of service exclusions	233	233
22	<b>33,444</b>	<b>4,002</b>
<b>23</b>		
24     Return on regulated equity	33,444	4,002
25     Net interest	88,388	90,899
<b>26 Return on rate base</b>	<b>121,832</b>	<b>94,901</b>
<b>27</b>		
<b>28 Average rate base</b>	<b>1,625,534</b>	<b>1,625,534</b>
<b>29</b>		
<b>30 Rate of return on rate base</b>	<b>7.49%</b>	<b>5.84%</b>

## **Appendix B**

### **March 2014 RSP Report**

**NEWFOUNDLAND AND LABRADOR HYDRO  
RATE STABILIZATION PLAN REPORT  
March 31, 2014**

## Newfoundland and Labrador Hydro

### Rate Stabilization Plan Report March 31, 2014

#### Summary of Key Facts

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro), as amended by Board Order No. P.U. 40 (2003) and Order No. P.U. 8 (2007), 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 Test Year Cost of Service Study was approved by Board Order No. P.U. 8 (2007) and is based on projections of events and costs that are forecast to happen during a test year. Finance charges are calculated on the balances using the test year Weighted Average Cost of Capital which is currently 7.529% per annum. Holyrood's operating efficiency is set, for RSP purposes, at 630 kWh/barrel regardless of the actual conversion rate experienced.

	2007 Test Year Cost of Service			
	Net Hydraulic	No. 6 Fuel	Utility	Industrial
	Production	Cost	Load	Load
	(kWh)	(\$Can/bbl.)	(kWh)	(kWh)
January	427,100,000	54.17	574,800,000	78,300,000
February	388,680,000	54.73	518,600,000	70,900,000
March	415,080,000	55.46	524,700,000	76,600,000
April	355,520,000	55.46	429,200,000	75,600,000
May	324,240,000	55.46	358,700,000	69,500,000
June	328,500,000	54.49	298,400,000	73,800,000
July	386,790,000	54.49	293,400,000	77,500,000
August	379,140,000	54.49	287,000,000	77,900,000
September	363,560,000	54.49	297,700,000	73,000,000
October	340,510,000	54.56	360,200,000	74,400,000
November	364,390,000	54.56	439,300,000	74,100,000
December	398,560,000	58.98	543,800,000	72,700,000
<b>Total</b>	<b>4,472,070,000</b>		<b>4,925,800,000</b>	<b>894,300,000</b>

**Rate Stabilization Plan  
Plan Highlights  
March 31, 2014**

	Actual	Cost of Service	Variance	Year-to-Date Due (To) From customers	Reference
<b>Hydraulic production year-to-date</b>	1,551.2 GWh	1,230.9 GWh	320.3 GWh	\$ (27,852,952)	Page 4
<b>No 6 fuel cost - Current month</b>	\$ 115.08	\$ 55.46	\$ 59.62	\$ 55,502,991	Page 5
<b>Year-to-date customer load - Utility</b>	2,074.2 GWh	1,618.1 GWh	456.1 GWh	\$ (441,693)	Page 8
<b>Year-to-date customer load - Industrial</b>	94.2 GWh	225.8 GWh	-131.6 GWh	\$ (6,599,044)	Page 9
				<u>\$ 20,609,302</u>	
<b>Rural rates</b>					
Rural Rate Alteration (RRA) <sup>(1)</sup>	\$ (3,333,706)				
Less : RRA to utility customer	<u>\$ (2,970,331)</u>				Page 10
RRA to Labrador interconnected	(363,375)				
Fuel variance to Labrador interconnected	<u>\$ 428,896</u>				Page 6
Net Labrador interconnected	<u>\$ 65,521</u>				
<b>Current plan summary</b>					
<b>One year recovery</b>					
Due (to) from utility customer	\$ (43,381,295)				Page 10
Due (to) from Industrial customers	<u>\$ 3,586,627</u>				Page 11
Sub total	(39,794,668)				
<b>Four year recovery</b>					
Hydraulic balance	<u>\$ (68,551,858)</u>				Page 4
<b>Segregated Load Variation</b>					
Utility Customer	\$ 359,314				Page 12
Industrial Customer	<u>\$ (15,796,490)</u>				
Sub Total	\$ (15,437,176)				
<b>Utility RSP Surplus</b>	\$ (117,442,511)				Page 13
<b>Industrial RSP Surplus</b>	<u>\$ (10,858,193)</u>				Page 14
Total plan balance	<u>\$ (252,084,406)</u>				

<sup>(1)</sup> Beginning January 2011, the RRA includes a monthly credit of \$98,295. This amount relates to the phase in of the application of the credit from secondary energy sales to CFB Goose Bay to the Rural deficit as stated in Section B, Clause 1.3(b) of the approved Rate Stabilization Plan Regulations which received final approval in Order No. P.U. 33 (2010) issued December 15, 2010.

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Net Hydraulic Production Variation  
March 31, 2014

	A	B	C	D	E	F	G
	Cost of Service Net Hydraulic Production	Actual Net Hydraulic Production	Monthly Net Hydraulic Production Variance	Cost of Service No. 6 Fuel Cost	Net Hydraulic Production Variation	Financing Charges	Cumulative Variation and Financing Charges
	(kWh)	(kWh)	(kWh)	(\$Can/bbl.)	(\$)	(\$)	(\$)
			(A - B)		(C / O <sup>(1)</sup> x D)		(E + F)
							(to page 12)
Opening balance							(39,801,010)
January	427,100,000	536,781,236	(109,681,236)	54.17	(9,430,845)	(241,493)	(49,473,348)
February	388,680,000	491,548,118	(102,868,118)	54.73	(8,936,464)	(300,180)	(58,709,992)
March	415,080,000	522,832,527	(107,752,527)	55.46	(9,485,643)	(356,223)	(68,551,858)
April							
May							
June							
July							
August							
September							
October							
November							
December							
	<u>1,230,860,000</u>	<u>1,551,161,881</u>	<u>(320,301,881)</u>		<u>(27,852,952)</u>	<u>(897,896)</u>	<u>(68,551,858)</u>
Hydraulic Allocation <sup>(2)</sup>							
Hydraulic variation at year end					<u>(27,852,952)</u>	<u>(897,896)</u>	<u>(68,551,858)</u>

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

(2) At year end 25% of the hydraulic variation balance and 100% of the annual financing charges are allocated to customers.



## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
No. 6 Fuel Variation  
March 31, 2014

	A	B	C	D	E	F	G
	Actual Quantity No. 6 Fuel (bbl.)	Actual Quantity No. 6 Fuel for Non-Firm Sales (bbl.)	Net Quantity No. 6 Fuel (bbl.) (A - B)	Cost of Service No. 6 Fuel Cost (\$Can/bbl.)	Actual Average No. 6 Fuel Cost (\$Can/bbl.)	Cost Variance (\$Can/bbl.) (E - D)	No.6 Fuel Variation (\$) (C X F) (to page 6)
January	311,974	0	311,974	54.17	104.55	50.38	15,717,272
February	330,404	0	330,404	54.73	114.37	59.64	19,705,279
March	336,807	0	336,807	55.46	115.08	59.62	20,080,440
April							
May							
June							
July							
August							
September							
October							
November							
December							
	979,185	0	979,185				55,502,991

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Allocation of Fuel Variance - Year-to-Date  
March 31, 2014

	A	B	C	D	E	F	G	H	I	J
	Twelve Months-to-Date				Year-to-Date Fuel Variance				Reallocate Rural Island Customers <sup>(1)</sup>	
	Utility	Industrial	Rural Island	Total	Utility	Industrial	Rural Island	Total	Utility	Labrador
	(kWh)	Customers	Customers	(kWh)	(\$)	Customers	Interconnected	(\$)	(\$)	Interconnected
		(kWh)	(kWh)	(A+B+C)	(A/D X H)	(B/D X H)	(C/D X H)		(G X 89.10%)	(G X 10.90%)
					(to page 7)			(from page 5)	(to page 7)	
January	5,603,728,914	348,666,137	459,258,079	6,411,653,130	13,736,759	854,706	1,125,807	15,717,272	1,003,094	122,713
February	5,664,560,418	354,489,796	462,266,852	6,481,317,066	30,958,705	1,937,405	2,526,441	35,422,551	2,251,059	275,382
March	5,796,147,497	357,155,092	469,518,334	6,622,820,923	48,574,999	2,993,162	3,934,830	55,502,991	3,505,934	428,896
April										
May										
June										
July										
August										
September										
October										
November										
December										

(1) The Fuel Variance initially allocated to Rural Island Interconnected is re-allocated between Utility and Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Cost of Service Study, which is 89.10% and 10.90% respectively. The Labrador Interconnected amount is then removed from the plan and written off to net income (loss).

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Allocation of Fuel Variance - Monthly  
March 31, 2014

	A	B	C	D	E	F	G
	Utility					Industrial	
	Fuel Variance		Rural Allocation		Total Fuel Variance	Fuel Variance	
	Year-to-Date	Current Month	Year-to-Date	Current Month	Activity for	Year-to-Date	Current Month
	Activity	Activity <sup>(1)</sup>	Activity	Activity <sup>(1)</sup>	the month	Activity	Activity <sup>(1)</sup>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 6)		(from page 6)		(B + D) (to page 10)	(from page 6)	(to page 11)
January	13,736,759	13,736,759	1,003,094	1,003,094	14,739,853	854,706	854,706
February	30,958,705	17,221,946	2,251,059	1,247,965	18,469,911	1,937,405	1,082,699
March	48,574,999	17,616,294	3,505,934	1,254,875	18,871,169	2,993,162	1,055,757
April							
May							
June							
July							
August							
September							
October							
November							
December							
		<u>48,574,999</u>		<u>3,505,934</u>	<u>52,080,933</u>		<u>2,993,162</u>

{1} The current month activity is calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month.

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Load Variation - Utility  
March 31, 2014

	A	B	C	D	E	F	G	H	I	J	K
	Firm Energy						Secondary Energy				
	Cost of Service Sales	Actual Sales	Sales Variance	Cost of Service No. 6 Fuel Cost	Firm Energy Rate	Load Variation	Cost of Service Sales	Actual Sales	Firming Up Charge	Load Variation	Total Load Variation
	(kWh)	(kWh)	(kWh)	(\$Can/bbl.)	(\$/kWh)	(\$)	(kWh)	(kWh)	(\$/kWh)	(\$)	(\$)
			(B - A)			C x ((D/O <sup>1</sup> ) - E)				(G - H) x I	(F + J)
											(to page 10)
January	574,800,000	701,822,280	127,022,280	54.17	0.08805	(262,412)	0	0	0.00841	0	(262,412)
February	518,600,000	668,138,074	149,538,074	54.73	0.08805	(176,004)	0	0	0.00841	0	(176,004)
March	524,700,000	704,231,084	179,531,084	55.46	0.08805	(3,277)	0	0	0.00841	0	(3,277)
April											
May											
June											
July											
August											
September											
October											
November											
December											
	1,618,100,000	2,074,191,438	456,091,438			(441,693)	0	0		0	(441,693)

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Load Variation - Industrial  
March 31, 2014

	A	B	C	D	E	F
	Cost of Service Sales	Actual Sales	Sales Variance	Cost of Service No. 6 Fuel Cost	Firm Energy Rate	Load Variation
	(kWh)	(kWh)	(kWh)	(\$)	\$/kWh	(\$)
			(B - A)			$C \times \{(D/O^1) - E\}$ (to page 11)
January	78,300,000	28,925,453	(49,374,547)	54.17	0.03676	(2,430,419)
February	70,900,000	31,688,409	(39,211,591)	54.73	0.03676	(1,965,011)
March	76,600,000	33,620,893	(42,979,107)	55.46	0.03676	(2,203,614)
April						
May						
June						
July						
August						
September						
October						
November						
December						
	<u>225,800,000</u>	<u>94,234,755</u>	<u>(131,565,245)</u>			<u>(6,599,044)</u>

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Summary of Utility Customer  
March 31, 2014

	A	B	C	D	E	F	H
	Load Variation	Allocation Fuel Variance	Allocation Rural Rate Alteration <sup>(1)</sup>	Subtotal Monthly Variances	Financing Charges	Adjustment <sup>(2)</sup>	Cumulative Net Balance
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 8)	(from page 7)		(A + B + C)			(to page 12)
Opening Balance							(80,173,930)
January		14,739,853	(1,016,527)	13,723,326	(486,455)	(3,740,713)	(70,677,772)
February		18,469,911	(1,030,686)	17,439,225	(428,837)	(3,561,176)	(57,228,560)
March		18,871,169	(923,118)	17,948,051	(347,234)	(3,753,552)	(43,381,295)
April							
May							
June							
July							
August							
September							
October							
November							
December							
Year to date	0	52,080,933	(2,970,331)	49,110,602	(1,262,526)	(11,055,441)	36,792,635
Hydraulic allocation (from page 4)							0
Total	0	52,080,933	(2,970,331)	49,110,602	(1,262,526)	(11,055,441)	(43,381,295)

(1) The Rural Rate Alteration is allocated between Utility and Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Cost of Service Study, which is 89.10% and 10.90% respectively. The Labrador Interconnected amount is then removed from the plan and written off to net income (loss).

(2) The RSP adjustment rate for the Utility is 0.533 cents per kwh effective July 1, 2013 to June 30, 2014.

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Summary of Industrial Customers  
March 31, 2014

	A	B	C	D	E	F
	Load	Allocation	Subtotal	Financing		Cumulative
	Variation	Fuel Variance	Monthly	Charges	Adjustment	Net
	(\$)	(\$)	Variances	(\$)	(\$)	Balance
	(from page 9)	(from page 7)	(A + B)			(to page 12)
Opening Balance						566,125
January		854,706	854,706	3,435	0	1,424,266
February		1,082,699	1,082,699	8,642	0	2,515,607
March		1,055,757	1,055,757	15,263	0	3,586,627
April						
May						
June						
July						
August						
September						
October						
November						
December						
Year to date		2,993,162	2,993,162	27,340	0	3,020,502
Hydraulic allocation (from page 4)						0
Total		2,993,162	2,993,162	27,340	0	3,586,627

## Newfoundland and Labrador Hydro

**Rate Stabilization Plan**  
**Load Variation January - December 2014**  
**March 31, 2014**

	A	B	C	D	E	F	G
	Utility Customer			Island Industrial Customers			Total To Date <sup>(1)</sup>
	Load Variation	Financing Charges	Total To Date	Load Variation	Financing Charges	Total To Date	
		(\$)	(\$)		(\$)	(\$)	(\$)
	(from page 8)		( A + B )	(from page 9)		( D + E )	( C + F )
							(to page 15)
Opening Balance			790,787			(8,991,282)	(8,200,495)
January	(262,412)	4,798	533,173	(2,430,419)	(54,555)	(11,476,256)	(10,943,083)
February	(176,004)	3,235	360,404	(1,965,011)	(69,632)	(13,510,899)	(13,150,495)
March	(3,277)	2,187	359,314	(2,203,614)	(81,977)	(15,796,490)	(15,437,176)
April							
May							
June							
July							
August							
September							
October							
November							
December							
Total	(441,693)	10,220	359,314	(6,599,044)	(206,164)	(15,796,490)	(15,437,176)

(1) Per Board Order No. P.U. 29(2013), the load variation from the Industrial and Utility Customers as of September 1, be held in a separate account until its disposition.



## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Utility RSP Surplus  
March 31, 2014

	A	B	C	D
	Industrial Customer Adjustment	Utility Payout	Financing Charges	Cumulative Balance
	(\$)	(\$)	(\$)	(\$)
	(from page 10)			(to page 15)
Opening Balance				(115,330,446)
January			(699,767)	(116,030,213)
February			(704,013)	(116,734,226)
March			(708,285)	(117,442,511)
April				
May				
June				
July				
August				
September				
October				
November				
December				
Year to date	-	-	(2,112,065)	(2,112,065)
Total			(2,112,065)	(117,442,511)

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Industrial RSP Surplus  
March 31, 2014

	A	B	C	D	E
	Industrial Surplus	Teck Allocation <sup>(1)</sup>	Industrial Drawdown	Financing Charges	Cumulative Balance
	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 11)		(from page 11)		(to page 15)
Opening Balance					(10,858,146)
January		66,308		(65,882)	(10,857,720)
February		62,040		(65,879)	(10,861,559)
March		69,269		(65,903)	(10,858,193)
April					
May					
June					
July					
August					
September					
October					
November					
December					
Year to date	0	197,617	0	(197,664)	(47)
Total	0	197,617	0	(197,664)	(10,858,193)

(1) Per Board Order No. P.U. 29(2013), the RSP drawdown adjustment rate for Teck Resources is 1.111 cents per kwh effective September 1, 2013.

## Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Overall Summary  
March 31, 2014

	A	B	C	D	E	F	G
	Hydraulic Balance	Utility Balance	Industrial Balance	Segregated Load Balance	Utility RSP Surplus	Industrial RSP Surplus	Total To Date
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 4)	(from page 10)	(from page 11)	(from page 12)	(from page 13)	(from page 14)	(A + B + C + D + E + F)
Opening Balance	(39,801,010)	(80,173,930)	566,125	(8,200,495)	(115,330,446)	(10,858,146)	(253,797,902)
January	(49,473,348)	(70,677,772)	1,424,266	(10,943,083)	(116,030,213)	(10,857,720)	(256,557,870)
February	(58,709,992)	(57,228,560)	2,515,607	(13,150,495)	(116,734,226)	(10,861,559)	(254,169,225)
March	(68,551,858)	(43,381,295)	3,586,627	(15,437,176)	(117,442,511)	(10,858,193)	(252,084,406)
April							
May							
June							
July							
August							
September							
October							
November							
December							

## **Appendix C**

### **Proposed IC Rate Stabilization Plan Adjustments**

**NEWFOUNDLAND AND LABRADOR HYDRO  
PROPOSED IC RATE STABILIZATION PLAN ADJUSTMENTS**

2014

Line No	Calculation of Industrial Customer RSP Rate	Amount	Comments
	Current Plan		
1	December Balance	\$ 566,125	December RSP 2013
2	Adjustment	\$ -	
3	December Balance less load variation & interest	\$ 566,125	Line 1 minus Line 2
4	Forecast Financing Costs to December 31, 2014	\$ 22,617	Line 25
5	Total	\$ 588,742	Line 3 plus Line 4
6	12 months to date (Jan - Dec) Industrial Customer Sales (kWh)	divided by 351,353,424	December RSP 2013
7	(mills per kWh)	1.68	Line 5/Line 6*1000
	Fuel Price Projection Rider		
8	Industrial Fuel Price Projection	\$ 5,236,905	Industrial Filing Oct 2013
9	12 months to date (Jan - Dec) Industrial Customer Sales (kWh)	divided by 351,353,424	December RSP 2013
10	(mills per kWh)	14.90	Line 8/Line 9*1000
11	Total Current Plan (mills per kWh)	16.58	Line 7 plus Line 10
	Industrial RSP Adjustment Rate	16.58	Line 11

**Industrial Customer Forecast Financing Charges  
2014**

2007 Test Year Weighted Average Cost of Capital per annum			7.529%		
Nominal Financing Rate			7.281%		
		Sales kWh	Financing Costs	Adjustment	Total To Date Balance
12	Balance Forward				566,125
13	January	31,612,740	3,435	(53,109)	516,451
14	February	25,864,750	3,134	(43,453)	476,131
15	March	30,955,597	2,889	(52,005)	427,015
16	April	32,198,035	2,591	(54,093)	375,513
17	May	31,721,670	2,278	(53,292)	324,499
18	June	27,547,154	1,969	(46,279)	280,189
19	July	21,332,877	1,700	(35,839)	246,050
20	August	29,286,623	1,493	(49,202)	198,341
21	September	28,595,423	1,203	(48,040)	151,504
22	October	24,799,284	919	(41,663)	110,761
23	November	33,552,362	672	(56,368)	55,065
24	December	33,886,909	334	(56,930)	(1,531)
25	Total	351,353,424	22,617	(590,274)	

## **Appendix D**

### **Phase-in Proposal Forecast Impact on IC RSP Surplus**

**Newfoundland and Labrador Hydro  
Rate Stabilization Plan  
Industrial Customer Surplus Balance  
December 31, 2014**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
	Teck	Other Industrial	Finance	Cumulative
	Allocation <sup>1</sup>	Allocation <sup>2</sup>	Charge <sup>3</sup>	Net Balance
Opening balance <sup>4</sup>				<b>(10,858,146)</b>
January	66,308	430,989	(65,882)	(10,426,731)
February	62,040	472,157	(63,264)	(9,955,797)
March	69,269	500,951	(60,407)	(9,445,983)
April	41,107	643,680	(57,314)	(8,818,510)
May	42,218	673,480	(53,506)	(8,156,318)
June	41,107	674,970	(49,488)	(7,489,729)
July	42,218	792,680	(45,444)	(6,700,275)
August	42,218	792,680	(40,654)	(5,906,031)
September	41,107	436,570	(35,835)	(5,464,189)
October	42,218	450,725	(33,154)	(5,004,400)
November	41,107	436,570	(30,364)	(4,557,087)
December	42,218	450,725	(27,650)	(4,091,794)
Y-T-D	573,135	6,756,178	(562,962)	6,766,351
Total				(4,091,794)

<sup>1</sup> 1.111 cents/kWh multiplied by monthly sales.

<sup>2</sup> 1.490 cents/kWh for Jan-Aug and 0.745 cents/kWh for Sept-Dec multiplied by monthly sales.

<sup>3</sup> Nominal Monthly Financing Rate 0.07281

<sup>4</sup> December 31, 2013 actual closing balance, page 14 of RSP Report.