

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

AN ORDER OF THE BOARD

NO. P.U. 21(2016)

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

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval,
9 pursuant to Section 70 of the *Act*, of the Rate
10 Stabilization Plan Adjustment in the rates to be
11 charged to Newfoundland Power Inc.
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14 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
15 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
16 and is also subject to the provisions of the *EPCA*; and
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18 **WHEREAS** Order No. P.U. 40(2003) set out the manner by which the Rate Stabilization Plan
19 (“RSP”) is calculated and applied to the rates charged by Hydro to Newfoundland Power Inc.
20 (“Newfoundland Power”) and to its Island Industrial Customers; and
21

22 **WHEREAS** on April 13, 2016, in accordance with Order No. P.U. 40(2003), Hydro provided
23 written notice to the Board, Newfoundland Power, the Consumer Advocate, the Island Industrial
24 Customers: Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited and Teck
25 Resources Limited (“Industrial Customer Group”), Vale Newfoundland & Labrador Limited
26 (“Vale”) and Praxair Canada Inc. (“Praxair”) as to the forecast fuel price change, the resulting
27 fuel rider, and the RSP adjustment to be applied to Newfoundland Power rates, effective July 1,
28 2016 (the “RSP Fuel Price Projection”); and
29

30 **WHEREAS** on April 14, 2016, Hydro filed a revised notice of the RSP Fuel Price Projection;
31 and
32

33 **WHEREAS** on May 4, 2016 Hydro filed a copy of the March 2016 RSP Report as supporting
34 documentation to the RSP Fuel Price Projection; and
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36 **WHEREAS** on June 1, 2016 Hydro filed an application with supporting information seeking
37 approval of the RSP component of the rates to be charged Newfoundland Power; and

1 **WHEREAS** on June 3, 2016 Hydro filed a revised application (the “Application”), reflecting a
2 correction to the RSP adjustment; and
3

4 **WHEREAS** the Board’s financial consultants, Grant Thornton LLP, reviewed the methodology
5 and calculations of the proposed RSP adjustment, including the fuel price projection rider and
6 the recovery rate for the March 31, 2016 RSP balance, and confirmed that the calculations are in
7 accordance with Board orders; and
8

9 **WHEREAS** the Board requested comments on the Application be submitted to the Board by
10 June 10, 2016; and
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12 **WHEREAS** on June 10, 2016 Newfoundland Power advised that it did not have comments on
13 the Application; and
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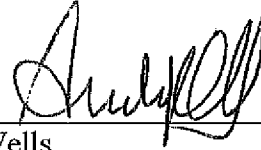
15 **WHEREAS** the Consumer Advocate, the Industrial Customer Group, Vale and Praxair did not
16 provide comments in relation to the Application; and
17

18 **WHEREAS** the Board has considered the Application and the information and calculations
19 contained therein and is satisfied that the RSP adjustment to be applied to the rates to be charged
20 by Hydro to Newfoundland Power is in accordance with the methodology of the RSP approved
21 by the Board.
22
23

24 **IT IS THEREFORE ORDERED THAT:**
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- 26 1. The rates to be charged by Hydro to Newfoundland Power, as set out in Schedule “A” to
27 this Order, to be effective for electrical consumption on or after July 1, 2016, are approved
28 on an interim basis.
29
- 30 2. Hydro shall pay the expenses of the Board incurred in connection with this matter.

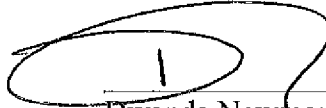
DATED at St. John's, Newfoundland and Labrador, this 13th day of June, 2016.



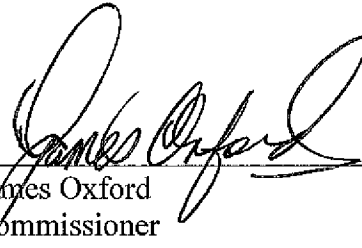
Andy Wells
Chair and Chief Executive Officer




Darlene Whalen, P.Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



James Oxford
Commissioner



Cheryl Blundon
Board Secretary

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

Availability:

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

Definitions:

"Billing Demand"

The Curtailable Credit shall apply to determine the billing demand as an adjustment to the highest Native Load established during the winter period beginning in December 1, 2014 and ending March 31, 2016. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below. The use of the Curtailable Credit in determining billing demand for subsequent winter periods will be subject to a further Order of the Board.

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

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

If at the time of establishing its Maximum Native Load, NP has been requested by Hydro to reduce its Native Load by shedding curtailable load, the calculation of Billing Demand for each month shall not deduct the Curtailable Credit.

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

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

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

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.

"Curtable Credit" is determined based upon NP's forecast curtable load available for the period in accordance with the terms and conditions set forth in NP's Curtable Service Option. NP will notify Hydro of its available curtable load with its forecast of annual and monthly electricity requirements.

In order to receive the Curtable Credit, NP must demonstrate the capability to curtail its customer load requirements to the level of the Curtable Credit. This will be verified in a test by curtailing load at a minimum of this level for a period of one hour. The test will be carried out at a mutually agreed time in December. If the level is not sustained, the Curtable Credit will be reduced to the level sustained. If Hydro requests NP to curtail load before a test is completed and NP demonstrates the capability to curtail to the level of the Curtable Credit, no test will be required.

NP will be required to provide a report to Hydro not later than April 15 to demonstrate the amount of load curtailed for each request of Hydro during the previous winter season. If the load curtailed is less than forecast for either request during the winter season, the annual Curtable Credit will be adjusted to reflect the average load curtailed for the winter season. If NP is not requested to curtail during the winter season, the Curtable Credit will be established based upon the lesser of the load reduction achieved in the test or the forecast curtable load (as provided in the previous two paragraphs).

"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 and the Curtable Credit.

The Curtable Credit reflected in the Minimum Billing Demand will be set to equal the curtable load used to determine the Maximum Native Load for NP for the most recently approved Test Year.

"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.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

"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;
- (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 and the Curtailable Credit (if applicable), 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)

Monthly Rates:

Billing Demand Charge:

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

\$4.32 per kW of billing demand

Energy Charge:

First 250,000,000 kilowatt-hours* @ 3.506 ¢ per kWh

All excess kilowatt-hours* @ 9.509 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by

Corner Brook Pulp and Paper Limited* @ 0.908 ¢ per kWh

RSP Adjustment:

Current Plan @ (1.213) ¢ per kWh

Fuel Rider @ (0.023) ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ (1.236) ¢ 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)

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 use in determining NP's Billing Demand.
- (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, weather data from Environment Canada 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.