

1 **Q. In P.U. 7 (2002-2003) the Board addressed the issue of the Rate Stabilization Plan.**
2 **Can you please advise as to the current deficit in the Rate Stabilization Plan and**
3 **what increases can be anticipated in rates as a result of the Board's decision**
4 **pertaining to the Rate Stabilization Plan. Given that the current cost of a barrel of**
5 **oil is over and above the \$26.00 price forecast by Hydro, how it is anticipated that**
6 **this extra revenue will be raised to recover any balance in the Rate Stabilization**
7 **Plan.**

8
9 A. Based on the information included in Newfoundland and Labrador Hydro's fourth quarter
10 report ended December 31, 2002, that was submitted to the Board, the deficit in the
11 "new" rate stabilization plan as of December 31, 2002 is \$20,496,000, of which
12 \$15,802,000 is owing from Newfoundland Power. This balance will be recovered over a
13 two year period on a straight line basis.

14
15 The recovery of the balance in the "new" plan will not come into effect until July 1, 2004
16 and will be calculated using the balance as of December 31, 2003; therefore we cannot
17 estimate the anticipated increase relating to the "new" plan at this time.

18
19 The balance in the "old" plan, which relates to the outstanding balance as of August 31,
20 2002, adjusted for recoveries and finance charges as of December 31, 2002 includes a
21 balance owing from Newfoundland Power in the amount of \$76,244,000. This balance is
22 to be recovered over a five year period on a straight line basis.

23
24 Using the information included in Hydro's quarterly reports, the anticipated increase in
25 the rate charged to Newfoundland Power to recover the balance in the "old" plan is
26 estimated as follows (see detailed calculation attached):

27		
28	Current adjustment rate:	\$0.00177 /kWh
29		
30	Estimated rate (July 1, 2003):	\$0.00324 /kWh
31		
32	Increase	\$0.00147 /kWh
33		

34 Given that the current cost of a barrel of oil is over and above the \$26.00 base price
35 approved by the Board for the rate stabilization plan, the difference in the actual cost of
36 oil per barrel and the base price will be included in the "new" RSP plan and, with the
37 other factors of the plan taken into consideration, will be recovered over a two year
38 period commencing July 1, 2004. This recovery is effected through an automatic
39 adjustment to rates based on existing regulations.

**Calculation of adjustment rate for the "Old" Plan (estimated)
Effective July 1, 2003**

Formula	$A = (B - C + D) / E / F$
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A = adjustment rate

0.00324

December 31, 2002 balance:	B	\$	76,244,000	
Energy sales for Janaury - June, 2002			2,534,320 MWh	
Projected recovery to June 30, 2003				
2,534,320,000 @ 0.00177 =	C	\$	4,485,746	
Projected finance charges to June 30, 2003 (see calculation below - we used the energy sales to NP for January to June 2002)	D	\$	2,642,887	
Opening balance		\$	76,244,000	
	sales (kWh)	recovery	interest	balance
Jan	527,550,627	(\$933,765)	\$457,777	\$ 75,768,012
Feb	489,397,445	(\$866,233)	\$411,233	\$ 75,313,012
March	492,768,129	(\$872,200)	\$452,492	\$ 74,893,305
April	402,250,598	(\$711,984)	\$436,369	\$ 74,617,690
May	339,609,914	(\$601,110)	\$449,913	\$ 74,466,494
June	282,742,965	(\$500,455)	\$435,103	\$ 74,401,142
	<u>2,534,319,678</u>	<u>(\$4,485,746)</u>	<u>\$2,642,887</u>	
Number of years remaining in the adjustment period	E		5	
Energy sales(kWh) for the most recent 12 months ended December 31 (which would be 2002)	F		4,588,740,000	

**Calculation of adjustment rate for the "Old" Plan (estimated)
Effective July 1, 2003**

Formula	A = (B-C+D) / E / F	0.00324
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A = adjustment rate

December 31, 2002 balance: **B** \$ 76,244,000

Energy sales for January - June, 2002 2,534,320 MWh

Projected recovery to June 30, 2003

2,534,320,000 @ 0.00177 = **C** \$ 4,485,746

Projected finance charges to June 30, 2003 **D** \$ 2,642,680
(see calculation below - we do not have the
forecast energy sales to NP for January
to June 2003, and we do not have a
breakdown of energy sales from January
to June 2002, therefore we have spread the
sales evenly over the six month period)

Opening balance				\$ 76,244,000
	sales (kWh)	recovery	interest	balance
Jan	534,720,000	(\$946,454)	\$457,700	\$ 75,755,245
Feb	496,220,000	(\$878,309)	\$411,097	\$ 75,288,033
March	486,020,000	(\$860,255)	\$452,413	\$ 74,880,190
April	391,420,000	(\$692,813)	\$436,405	\$ 74,623,782
May	338,320,000	(\$598,826)	\$449,964	\$ 74,474,919
June	287,620,000	(\$509,087)	\$435,101	\$ 74,400,934
	<u>2,534,320,000</u>	<u>(\$4,485,746)</u>	<u>\$2,642,680</u>	

Number of years remaining in the adjustment period **E** 5

Energy sales(kWh) for the most recent 12 months ended December 31 (which would be 2002) **F** 4,588,740,000