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P.U. 50(2004)

IN THE MATTER OF the
PUBLIC UTILITIES ACT,
R.S.N. 1990, c. P-47, as amended
(the “*Act*”)

AND

IN THE MATTER OF the application by
(the “*Application*”) by Newfoundland Power Inc.
(“*Newfoundland Power*”) for the approval of a rate of
return on rate base, a revised definition of the excess
earnings account and of a schedule of rates, tolls
and charges pursuant to the operation of the
Automatic Adjustment Formula (the “*Formula*”),
filed pursuant to order no. P.U. 19(2003).

WHEREAS Newfoundland Power is a corporation duly organized and existing under the
laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the
Act, and is also subject to the provisions of the *Electrical Power Control Act, 1994*, and

WHEREAS by Order Nos. P.U. 16 (1998-99) and 36 (1998-99), the Board ordered the
establishment of the *Formula* for use in determining Newfoundland Power’s rate of return on
rate base and in setting customer rates, tolls and charges (collectively, “*Customer Rates*”) in
years subsequent to a test year, and

WHEREAS by Order No. P.U. 19 (2003), the Board modified the *Formula* and ordered
(i) that Newfoundland Power’s rate of return on rate base and *Customer Rates* for 2005, 2006
and 2007 be set using the *Formula* and (ii) that Newfoundland Power shall apply, by no later

1 than November 30th in each of 2004, 2005 and 2006, for the application of the Formula to the
2 rate of return on rate base and for a revised schedule of Customer Rates to become effective
3 January 1 in each year following, and

4 **WHEREAS** by Order Nos. P.U. 19(2003) and P.U. 23(2003), the Board approved the
5 establishment of the 2004 test year parameters for use in calculating Newfoundland Power's rate
6 of return on rate base and Customer Rates, and

7 **WHEREAS** by Order No. P.U. 23(2003), the Board approved the definition of the
8 Excess Earnings Account whereby earnings for 2004 and subsequent years in excess of the
9 maximum allowable rate of return on rate base of 9.09%, be credited to the Excess Earnings
10 Account, unless otherwise ordered by the Board, and

11 **WHEREAS** by Order No. P.U. 18(2004), the Board approved rate stabilization and
12 municipal tax adjustment factors (the "RSA & MTA Factors") to be included in Customer Rates
13 for the period July 1, 2004 through June 30, 2005, and

14 **WHEREAS** by Order No. P.U. 19(2004), the Board ordered that Customer Rates be
15 increased to provide for recovery of additional purchased power costs resulting from a rate
16 increase by Newfoundland and Labrador Hydro which was approved by Order No. P.U.
17 17(2004), and

18 **WHEREAS** on November 9, 2004, Newfoundland Power filed with the Board its
19 calculation of the cost of common equity for 2005 pursuant to the operation of the Formula,
20 which cost of common equity for 2005 is calculated at 9.24%, and

1 **WHEREAS** by Order No. P.U. 43(2004), the Board approved the Newfoundland
2 Power's 2005 forecast average rate base of \$740,142,000, and

3 **WHEREAS** pursuant to the operation of the Formula, the rate of return on rate base for
4 2005 is 8.68%, in a range of 8.50% to 8.86%, and

5 **WHEREAS** Appendix A to the Application sets out the calculation of the weighted
6 average cost of capital for 2005 based upon the operation of the Formula and Appendix B to the
7 Application sets out the calculation of the rate of return on rate base for 2005 based upon the
8 operation of the Formula, and

9 **WHEREAS** it is appropriate that the definition of the Excess Earnings Account be
10 revised for 2005 to reflect changes to the rate of return on rate base for 2005 based upon the
11 operation of the Formula, and

12 **WHEREAS** Appendix C to the Application sets out the proposed revised definition of
13 the Excess Earnings Account for 2005, and

14 **WHEREAS** Appendix D to the Application sets out the calculation of a revised revenue
15 requirement for the establishment of Customer Rates for 2005 based upon the operation of the
16 Formula, and

17 **WHEREAS** Appendix E to the Application sets out the Customer Rates proposed by
18 Newfoundland Power to be effective on all electrical usage on and after January 1, 2005.

19

1 **IT IS THEREFORE ORDERED THAT**

2
3 1. The Board approves:

- 4
5 (i) pursuant to Section 80 of the *Act*, a rate of return on rate base for 2005 of 8.68% in
6 a range of 8.50% to 8.86%;
7
8 (ii) pursuant to Section 80 of the *Act*, a revised definition of the Excess Earnings
9 Account, as set out in Schedule 1; and,
10
11 (iii) pursuant to Section 70 of the *Act*, the rates, tolls and charges, to be effective on all
12 electrical usage on and after January 1, 2005, as set out in Schedule 2.
13

14
15 **DATED** at St. John's, Newfoundland, this 9th day of December 2004.

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19 _____
20 Robert Noseworthy,
21 Chair & Chief Executive Officer.

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25 _____
26 Darlene Whalen, P.Eng.
27 Vice-Chair

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32 _____
33 G. Cheryl Blundon
34 Board Secretary

Schedule 1

Order No. P.U 50(2004)

Issued: December 9, 2004

Schedule 1
Order No. P. U. 50(2004)

Excess Earnings Account

This account shall be credited with any earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board, plus the amount of any applicable income taxes calculated at the prevailing income tax rate in that year. Disposition of any balance in this account shall be as determined by the Board. For 2005 and subsequent years, all earnings in excess of an 8.86% rate of return on rate base shall, unless otherwise ordered by the Board, be credited to this account.

Schedule 2

Order No. P.U 50(2004)

Issued: December 9, 2004

**NEWFOUNDLAND POWER INC.
RATE #1.1
DOMESTIC SERVICE**

Availability:

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

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$15.70 per month
Energy Charge:
All kilowatt-hours @ 7.984¢ per kWh
Minimum Monthly Charge \$15.70 per month

Discount:

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

General:

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

**NEWFOUNDLAND POWER INC.
RATE #2.1
GENERAL SERVICE 0-10 kW**

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:	\$18.01 per month
Energy Charge:	
All kilowatt-hours	@ 10.382 ¢ per kWh
Minimum Monthly Charge, Single Phase	\$18.01 per month
Three Phase	\$36.02 per month

Discount:

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

General:

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

**NEWFOUNDLAND POWER INC.
RATE #2.2
GENERAL SERVICE 10-100 kW (110 kVA)**

Availability:

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

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$20.74 per month

Demand Charge:

\$8.36 per kW of billing demand in the months of December, January, February and March and \$7.61 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kW of billing demand..... @ 8.190 ¢ per kWh
All excess kilowatt-hours..... @ 5.282 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.4 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase \$20.74 per month
Three Phase \$36.02 per month

Discount:

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

General:

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

NEWFOUNDLAND POWER INC.
RATE #2.3
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

Availability:

For Service where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$93.39 per month

Demand Charge:

\$7.24 per kVA of billing demand in the months of December, January, February and March and \$6.49 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kVA of billing demand,
up to a maximum of 30,000 kilowatt-hours @ 7.819 ¢ per kWh
All excess kilowatt-hours @ 5.160 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.4 cents per kWh plus the Basic Customer Charge.

Discount:

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

General:

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

NEWFOUNDLAND POWER INC.
RATE #2.4
GENERAL SERVICE 1000 kVA AND OVER

Availability:

For Service where the maximum demand occurring in the 12 months ending with the current month is 1000 kilovolt-amperes or greater.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$186.78 per month

Demand Charge:

\$6.86 per kVA of billing demand in the months of December, January, February and March and \$6.11 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 100,000 kilowatt-hours @ 6.480 ¢ per kWh
All excess kilowatt-hours @ 5.057 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.4 cents per kWh plus the Basic Customer Charge.

Discount:

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

General:

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

**NEWFOUNDLAND POWER INC.
 RATE #4.1
 STREET AND AREA LIGHTING SERVICE**

Availability:

For Street and Area Lighting Service where the electricity is supplied by the Company and all fixtures, wiring and controls are provided, owned and maintained by the Company.

Monthly Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

	Sentinel/Standard	Post Top
High Pressure Sodium*		
100W (8,600 lumens)	\$14.17	\$14.66
150W (14,400 lumens)	17.56	-
250W (23,200 lumens)	22.94	-
400W (45,000 lumens)	29.88	-

* For all new installations and replacements.

Mercury Vapour

175W (7,000 lumens)	\$14.17	\$14.66
250W (9,400 lumens)	17.56	-
400W (17,200 lumens)	22.94	-

Special poles used exclusively for lighting service**

Wood	\$ 6.49
30' Concrete or Metal, direct buried	10.15
45' Concrete or Metal, direct buried	16.66
25' Concrete or Metal, Post Top, direct buried	8.22

Underground Wiring (per run)**

All sizes and types of fixtures	\$13.47
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** Where a pole or underground wiring run serves two fixtures paid for by different parties, the above rates for such poles and underground wiring may be shared equally between the two parties.

General:

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

NEWFOUNDLAND POWER INC.
CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only)

Availability:

For Customers billed on Rate #2.3 or #2.4 that can reduce their demand ("Curtail") by between 300 kW (330 kVA) and 5000 kW (5500 kVA) upon request by the Company during the Winter Peak Period. The Winter Peak Period is between 8 a.m. and 9 p.m. daily during the calendar months of December, January, February and March. The ability of a Customer to Curtail must be demonstrated to the Company's satisfaction prior to the Customer's availing of this rate option.

Credit for Curtailing:

If the Customer Curtails as requested for the duration of a Winter, the Company shall credit to the Customer's account the Curtailment Credit during May billing immediately following that Winter. The Curtailment Credit shall be determined by one of the following options:

Option 1:

The Customer will contract to reduce demand by a specific amount during Curtailment periods (the "Contracted Demand Reduction"). The Curtailment Credit for Option 1 is determined as follows:

Curtailment Credit = Contracted Demand Reduction x \$29 per kVA

Option 2:

The Customer will contract to reduce demand to a Firm Demand level which the Customer's maximum demand must not exceed during a Curtailment period. The Curtailment Credit for Option 2 is determined as follows:

Maximum Demand Curtailed = (Maximum Winter Demand - Firm Demand)

Peak Period Load Factor =
$$\frac{\text{kWh usage during Peak Period}}{(\text{Maximum Demand during Peak Period} \times 1573 \text{ hours})}$$

Curtailment Credit = ((Maximum Demand Curtailed x 50%) + (Maximum Demand Curtailed x 50% x Peak Period Load Factor)) x \$29 per kVA

Limitations on Requests to Curtail:

Curtailment periods will:

1. Not exceed 6 hours duration for any one occurrence.
2. Not be requested to start within 2 hours of the expiration of a prior Curtailment period.
3. Not exceed 100 hours duration in total during a winter period.

The Company shall request the Customer to Curtail at least 1 hour prior to the commencement of the Curtailment period.

NEWFOUNDLAND POWER INC.
CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only)

Failure to Curtail:

Failure to Curtail under Option 1 occurs when a Customer does not reduce its demand by the Contracted Demand Reduction for the duration of a Curtailment period. Failure to Curtail under Option 2 occurs when a Customer does not reduce its demand to the Firm Demand level or below for the duration of a Curtailment period.

The Curtailment Credit will be reduced by 50% as a result of the first failure to Curtail during a Winter. For each additional failure to Curtail, the Curtailment Credit will be reduced by a further 25% of the Curtailment Credit. If the Customer fails to Curtail three times during a Winter, the Customer forfeits 100% of the Curtailment Credit and the Customer will no longer be entitled to service under the Curtailable Service Option.

Notwithstanding the previous paragraph, no Curtailment Credit will be provided if the number of failures to Curtail equals the number of Curtailment requests.

Termination/Modification:

The Company requires six months written notice of the Customer's intention to either discontinue Curtailable Service Option or to modify the Contracted Demand Reduction or Firm Demand level.

General:

Services billed on this Service Option will have approved load monitoring equipment installed. For a customer that Curtails by using its own generation in parallel with the Company's electrical system, all Company interconnection guidelines will apply, and the Company has the option of monitoring the output of the Customer's generation. All costs associated with equipment required to monitor the Customer's generation will be charged to the Customer's account.