

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

**AN ORDER OF THE BOARD**

**NO. P.U. 40(2013)**

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*"), as amended, and regulations  
5 thereunder; and  
6

7 **IN THE MATTER OF** a General Rate  
8 Application by Newfoundland and Labrador Hydro  
9 to establish customer electricity rates for 2014; and  
10

11 **IN THE MATTER OF** an application by  
12 Newfoundland and Labrador Hydro for approval  
13 of rate changes for certain customers on an interim  
14 basis, effective January 1, 2014, pursuant to  
15 section 75 of the *Act*.  
16  
17

18 **The Application**  
19

20 On November 18, 2013 Newfoundland and Labrador Hydro ("Hydro") filed an application for  
21 approval of interim rate changes for certain customers to be effective on January 1, 2014 (the  
22 "Interim Rates Application"). This application is filed as part of Hydro's General Rate  
23 Application which was filed on July 30, 2013 seeking approval of rates for January 1, 2014. The  
24 review of the General Rate Application is ongoing and it is expected that a hearing will not  
25 proceed until the spring. Hydro states that if the proposed rate changes are not implemented in a  
26 timely manner it will be deprived of the opportunity to earn a just and reasonable return on rate  
27 base for 2014.  
28

29 The Interim Rates Application was copied to the parties to the General Rate Application:  
30 Newfoundland Power Inc. ("Newfoundland Power"); the Consumer Advocate, Mr. Thomas  
31 Johnson; Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited and Teck  
32 Resources Limited (the "Island Industrial Customer Group"); Vale Newfoundland and Labrador  
33 Limited ("Vale"); the Innu Nation; the Towns of Labrador City, Wabush, Happy Valley-Goose  
34 Bay, and North West River (the "Towns"); and Yvonne Jones, MP.  
35

36 Requests for information were issued to Hydro on November 22, 2013, November 25, 2013 and  
37 November 27, 2013. Hydro responded to the requests for information on December 2, 2013. On  
38 December 4, 2013 and December 5, 2013 additional requests for information were issued to  
39 Hydro.

1 A counsel meeting was convened on December 6, 2013 to address timing and process for the  
2 Interim Rates Application. Hydro, the Consumer Advocate, Newfoundland Power, the Island  
3 Industrial Customer Group, Vale and the Innu Nation attended the counsel meeting. The Towns  
4 and Yvonne Jones, MP did not participate. Following the counsel meeting the Board circulated  
5 proposed language for an amendment to the Rate Stabilization Plan ("RSP") rules which would  
6 suspend the operation of the January 1 RSP adjustment for the Industrial Customers. The Board  
7 received submissions on the proposed amendment from the parties on December 9, 2013.

## 8 9 **Submissions**

10  
11 Hydro submits that the proposed amendment to the RSP rules and any delay in providing rate  
12 relief to Hydro through the implementation of interim rates would not be in keeping with the  
13 spirit and intent of OC2013-089 (the "Government Direction"). Hydro further states that any  
14 delay in rate relief should be as short as possible and that interim rates should be put into effect  
15 as soon as practicably possible - if not for January 1, 2014, then for February 1, 2014. Hydro  
16 notes that interim rates are always risk-free to the rate payer and that Hydro's proposal would  
17 result in a rate decrease for a majority of rate payers. Hydro also notes that as an alternative to  
18 interim rates it has requested a deferral account and will be seeking a deferral back to January 1,  
19 2014. It states that this outcome would be in keeping with the spirit and intent of the  
20 Government Direction.

21  
22 Vale advises that it accepts the language of the proposed amendment to the RSP rules. Vale  
23 submits that it does not consider the amendment to be contrary to the Government Direction.  
24 Vale also states that any recovery of any deficit should be addressed as part of the Interim Rates  
25 Application.

26  
27 The Island Industrial Customer Group submits that the January 1, 2014 RSP adjustment would  
28 result in rates that would be unreasonable and unjustly discriminatory, even as interim rates.  
29 They further argue that the Government Direction does not prescribe the Board-approved  
30 methodology and, therefore, it is open to the Board to amend the methodology which would  
31 otherwise implement rates that are unreasonable and unjustly discriminatory. The Island  
32 Industrial Customer Group submits that the proposed amendment to the RSP rules strikes the  
33 right, and fair, balance between the interests of Hydro's customers and of Hydro.

34  
35 Newfoundland Power submits that the proposed language of the amendment to the RSP rules is  
36 acceptable. Newfoundland Power further comments that continuing the current Industrial  
37 Customer rates beyond December 31, 2013 on an interim basis preserves compliance with the  
38 Government Direction as it allows for a full analysis of the evidence before deciding whether to  
39 offset part, or all, of the rate increase attributable to the implementation of the September 2013  
40 fuel price forecast as against the Island Industrial RSP Surplus balance.

41  
42 The Consumer Advocate submits that the proposed amendment is inconsistent with the  
43 Government Direction because it interferes with the normal operation of the RSP. The  
44 Consumer Advocate is opposed to any action that would further delay the phase-in of Industrial  
45 Customer rates and recommends that the Board not approve the amendment to the RSP rules.

46  
47 The Innu Nation, the Towns and Yvonne Jones, MP did not make submissions to the Board.

1 **Discussion**

2  
3 The Interim Rates Application proposes interim rate changes for certain customers to be  
4 effective January 1, 2014. If this application is approved Newfoundland Power would be  
5 required to develop rates and file an application for new rates, effective January 1, 2014, and  
6 Hydro would then be required to file another application to change rates, effective January 1,  
7 2014, for its customers whose rates are based on Newfoundland Power rates. It is highly  
8 unlikely that at this stage there is sufficient time to allow for the necessary applications and  
9 orders of the Board to implement rate changes for January 1, 2014.

10  
11 Hydro's application for interim rates raises significant rate design and cost of service issues.  
12 Hydro is seeking approval of interim rates for some customers while leaving some rates  
13 unchanged. The rates proposed in the Interim Rates Application are, in many cases, different  
14 than the rates proposed in the General Rate Application. Changes to the rate structure for  
15 Newfoundland Power are also proposed. In addition Hydro proposes to implement an RSP  
16 adjustment for Newfoundland Power on January 1, 2014 when normally the adjustment for this  
17 customer occurs on July 1, 2014. Proposed Industrial Customer rate changes are complicated by  
18 the Government Direction to offset rate increases with the RSP Surplus. In short, the proposals  
19 in the Interim Rates Application raise complex and comprehensive issues which in the Board's  
20 view should be addressed before interim rates are established.

21  
22 In the absence of an order of the Board on or before January 1, 2014 the RSP rules require that  
23 an RSP adjustment be made for the Industrial Customers to reflect the September 2013 fuel price  
24 forecast. The evidence filed as a part of the Interim Rates Application suggests that this RSP  
25 adjustment would result in a rate increase for the Industrial Customers of 36.2%. The proposed  
26 amendment to the RSP rules would avoid this rate increase and would otherwise allow the  
27 normal operation of the RSP. That is, all other credits and debits within the RSP would proceed  
28 in the ordinary course. This approach would allow an appropriate RSP adjustment for the  
29 Industrial Customers to be implemented later.

30  
31 The Board notes that Newfoundland Power, Vale and the Island Industrial Customer Group all  
32 agree that the proposed amendment to the RSP rules is not contrary to the Government Direction.  
33 Hydro and the Consumer Advocate oppose the amendment with Hydro suggesting that the  
34 amendment would not be in keeping with the spirit and intent of the Government Direction. The  
35 Board agrees that it would appear that when the Government Direction was originally drafted it  
36 contemplated implementation of rate changes for the Industrial Customers as of January 1, 2014  
37 but this would have been in the context of the General Rate Application which proposed new  
38 rates for all customers as of January 1, 2014. However circumstances are such that the General  
39 Rate Application is a long way from being completed. The Board notes that Hydro did not argue  
40 that the proposed amendment is contrary to the language of OC2013-089.

41  
42 The Board is satisfied that interim rates could not realistically be put in place for January 1, 2014  
43 and further that rate changes should not be made before the issues and concerns associated with  
44 the Interim Rates Application are resolved. Without approval of the Interim Rates Application  
45 and without a change to the RSP rules, the Industrial Customers would be subject to a 36.2%  
46 increase. The Board is not persuaded by the Consumer Advocate's argument that the proposed  
47 amendment is inconsistent with the Government Direction because it interferes with the normal  
48 operation of the RSP, especially given that the RSP adjustment has not operated normally for the

1 Industrial Customers since 2008. In the circumstances the Board concludes that it is appropriate  
2 to suspend the operation of the January 1 RSP adjustment for the Industrial Customers. The  
3 Board acknowledges Hydro's request that the interim rates be put into effect as soon as  
4 practically possible and agrees that this matter should proceed expeditiously. The Board will  
5 ensure that the process reflects the urgency of the matter.  
6  
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8 **IT IS THEREFORE ORDERED THAT:**  
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- 10 1. The Rate Stabilization Plan rules attached hereto as Schedule "A" are approved on an  
11 interim basis.
- 12 2. Hydro shall pay the expenses of the Board incurred in connection with this matter.  
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DATED at St. John's, Newfoundland and Labrador this 13<sup>th</sup> day of December, 2013.



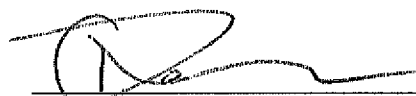
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Andy Wells  
Chair & Chief Executive Officer



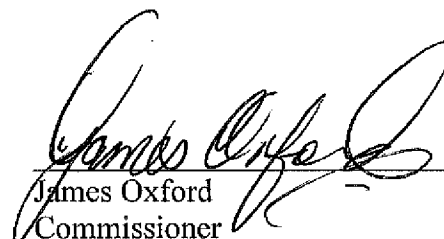
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Darlene Whalen, P.Eng.  
Vice-Chair



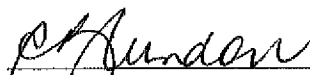
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Dwanda Newman, LL.B.  
Commissioner



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James Oxford  
Commissioner



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Cheryl Blundon  
Board Secretary

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**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.

**4. Customer Allocation:**

The annual customer assignment will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances respectively as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

**Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration**

**1. Activity**

**1.1 Fuel Cost Variations**

This is based on the consumption of No. 6 Fuel at the Holyrood Generating Station:

$$(G - D) \times H$$

Where:

D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

G = Monthly Actual Average No. 6 Fuel Cost (\$Can /bbl.)

H = Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)

**1.2 Load Variations**

**Firm:** Firm load variation is comprised of fuel and revenue components. The load variation is determined by calculating the difference between actual monthly sales and the Test Year Cost of service Study sales, and the resulting variance in No. 6 fuel costs and sales revenues. It is calculated separately for Newfoundland Power firm sales and Industrial firm sales, in accordance with the following formula:

$$(I - J) \times \{(D \div C) - K\}$$

Where:

C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)

D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$Can /bbl.)

I = Actual Sales, by customer class (kWh)

J = Test Year Cost of Service Sales, by customer class (kWh)

K = Firm energy rate, by customer class

**Secondary:** Secondary load variation is based on the revenue variation for Utility 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.



Each month, the year-to-date total for fuel price variation will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The year-to-date portion of the fuel price variation which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The current month's activity for Newfoundland Power, Island Industrials and regulated Labrador Interconnected customers will be calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month. The current month's activity allocated to regulated Labrador Interconnected customers will be removed from the Plan and written off to Hydro's net income (loss).

**3. Monthly Customer Allocation: Rural Rate Alteration Activity**

Each month, the rural rate alteration will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the Plan and written off to Hydro's net income (loss).

**4. Plan Balances**

Separate plan balances for Newfoundland Power, the Island Industrial customer class and the segregated load variation will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

**Section C: Fuel Price Projection**

A fuel price projection will be calculated to anticipate forecast fuel price changes and to determine fuel riders for the rate adjustments. For industrial customers, this will occur in October each year, for inclusion with the RSP adjustment effective January 1. For Newfoundland Power, this will occur in April each year, for inclusion with the RSP adjustment effective July 1.

**1. Industrial Fuel Price Projection:**

In October each year, a fuel price projection for the following January to December shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

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

Where:

- S = the September month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following January to December
- T = Hydro's average Test Year contract discount (US \$/bbl)
- U = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of September
- V = average Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)
- W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year.

The industrial customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of September and is the ratio of Industrial Firm invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 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.

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.

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 Notwithstanding paragraph 2.1, as of December 31, 2013 the adjustment rate for industrial customers commencing January 1, 2014 will continue, on an interim basis, to be the rate per kWh which was approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013). This rate will remain effective until a further Order of the Board.

#### **Section E: Historical Plan Balances:**

##### **1. August 2002 Balance:**

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at August 2002 will be recovered over a 5-year collection period, with adjustment rates established each December 31, commencing December 31, 2002. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year annual weighted average cost of capital.

##### **Newfoundland Power**

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$A = (B - C + D) \div E + F$$

Where:

- A = adjustment rate (\$ per kWh) for the 12-month period commencing the following July 1.
- B = Balance December 31
- C = projected recovery to the following June 30 (if any), estimated using the most recent energy sales (kWh) for the period January to June.
- D = projected financing charges to the following June 30
- E = number of years remaining in the adjustment period
- F = energy sales (kWh) (firm and firm-up secondary) to Newfoundland Power for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

**Island Industrial Customers, excluding Teck Cominco Limited [Exempted pursuant to Order No. P.U.1(2007)]**

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$G = H \div I \div J$$

Where:

- G = adjustment rate (\$ per kWh) for the 12-month period commencing the following January 1.  
H = Balance December 31  
I = number of years remaining in the adjustment period  
J = firm energy sales (kWh) to Industrial Customers, excluding sales to Teck Cominco Limited, for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

**2. RSP Balance, December 31, 2003:**

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at December 31, 2003 will be consolidated with the outstanding August 2002 customer balances as of December 31, 2003, and will be included with the Newfoundland Power and Island Industrial customer balances respectively for rate-setting purposes as of December 31, 2003.

**Section F: RSP Surplus:**

**1. August 31, 2013 Balance:**

The net load variation for Newfoundland Power and the Industrial Customers from January 1, 2007 to August 31, 2013, including financing (the RSP Surplus), will be removed from the respective customer class balance, and allocated based upon direction provided by Government in Orders in Council OC2013-089 and OC2013-207. The balances which remain after this amount is removed will form the adjusted August 31, 2013 current plan balances for each customer class.

The Industrial Customer class allocated amount will be used, firstly, to reduce the Industrial Customer class adjusted August 31, 2013 RSP balance to zero. The remaining Industrial Customer class allocated amount will be segregated until its disposition is ordered by the Board of Commissioners of Public Utilities.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.111) ¢ per kWh, approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013), shall be segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

The Newfoundland Power allocated amount of the RSP Surplus will be segregated held until such time as its disposition occurs in accordance with an Order of the Board of Commissioners of Public Utilities through a refund in accordance with Order in Council OC2013-089.

**2. Plan Balances**

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.