

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

AN ORDER OF THE BOARD

NO. P.U. 15(2018)

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

7 **IN THE MATTER OF** a general rate
8 application by Newfoundland and Labrador
9 Hydro to establish customer electricity rates
10 for 2018 and 2019; and
11

12 **IN THE MATTER OF** an application by
13 Newfoundland and Labrador Hydro for approval
14 of revised rates to be charged to Newfoundland
15 Power on an interim basis, effective July 1, 2018.
16
17

18 **Background and Process**
19

20 On July 28, 2017 Newfoundland and Labrador Hydro (“Hydro”) filed its 2017 general rate
21 application with the Board of Commissioners of Public Utilities (the “Board”). The general rate
22 application proposed, among other things, that, effective January 1, 2018, rates be approved on an
23 interim basis for all of Hydro’s customers. On October 4, 2017 Hydro filed correspondence with
24 the Board proposing that the implementation of interim rates be delayed to permit the general rate
25 application to proceed in an efficient manner.
26

27 On February 9, 2018 Hydro filed an interim application for approval of proposed Island Industrial
28 customer rates and Labrador Industrial Transmission rates to be effective April 1, 2018. In Order
29 No. P.U. 7(2018) the Board approved interim rates for Island Industrial customers and ordered a
30 deferral account with respect to specifically assigned charges for these customers. The Board did
31 not approve the proposed Labrador Industrial Transmission rates.
32

33 On April 13, 2018 Hydro filed the 2018 Utility Customer Interim Rates Application for approval
34 of proposed rates for Newfoundland Power effective July 1, 2018. On April 20, 2018 Hydro filed
35 a revised application to correct the calculation of the 2018 revenue deficiency and recovery
36 percentage (the “Application”).

1 The Application was circulated to the intervenors in the 2017 general rate application, being
 2 Dennis Browne, Q.C., (the “Consumer Advocate”); Newfoundland Power Inc. (“Newfoundland
 3 Power”); a group of Island Industrial customers: Corner Brook Pulp and Paper Limited, NARL
 4 Refining Limited Partnership and Vale Newfoundland and Labrador Limited (the “Industrial
 5 Customer Group”); the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and
 6 Labrador City (the “Labrador Interconnected Group”) and the Iron Ore Company of Canada
 7 (“IOC”).¹

8
 9 On April 23, 2018 the Industrial Customer Group filed requests for information (“RFIs”) related
 10 to the Application.

11
 12 On April 24, 2018 Newfoundland Power, the Labrador Interconnected Group and the Board filed
 13 RFIs related to the Application.

14
 15 On April 25, 2018 the Consumer Advocate filed RFIs related to the Application.

16
 17 On May 1, 2018 Hydro filed responses to the RFIs.

18
 19 On May 7, 2018 Newfoundland Power and the Consumer Advocate filed submissions on the
 20 Application.

21
 22 On May 11, 2018 the Industrial Customer Group, the Labrador Interconnected Group and IOC
 23 confirmed that they did not intend to file comments on the Application.

24
 25 On May 11, 2018 Hydro filed a reply submission.

26 27 **Application**

28
 29 The Application requested that the Board approve:

- 30
 31 a) revised Rate Stabilization Plan (“RSP”) rules for use in the calculation of the RSP fuel rider;
 32 b) the use of 1,273,184 barrels of No. 6 fuel for use in the calculation of the RSP fuel rider for
 33 Newfoundland Power to become effective July 1, 2018;
 34 c) a revised RSP Current Plan Adjustment of (0.296) ¢ per kWh;
 35 d) a revised RSP Fuel Rider of 0.423 ¢ per kWh;
 36 e) a revised CDM Cost Recovery Adjustment of 0.022 ¢ per kWh;
 37 f) the conclusion of the RSP rate mitigation adjustment rate approved in Order No. P.U.
 38 22(2017); and
 39 g) Hydro’s proposed Utility rate to apply to Newfoundland Power on an interim basis effective
 40 July 1, 2018, specifically:
 41
 42 I. the existing Demand rate of \$4.75 per kW per month;
 43 II. a revised Energy rate of 2.782 ¢ per kWh for the first 250,000,000 kilowatt-
 44 hours; and
 45 III. the existing Energy rate of 10.422 ¢ per kWh for the excess kilowatt-hours.

¹ Order No. P.U. 30(2017)

1 The Application submitted that the general rate application evidence shows that Hydro has a
2 material 2018 revenue deficiency and, without rate relief in 2018, Hydro's earnings will be below
3 the bottom of both the existing and the proposed range of return on rate base. The Application
4 noted that, while the general rate application proposed approval of interim rates for all of Hydro's
5 customers effective January 1, 2018, Hydro subsequently filed a request to delay the
6 implementation of interim rates in the interests of an efficient proceeding. The Application noted
7 that the timing of the conclusion of the general rate application remains uncertain and final rates
8 may not be in effect until 2019.

9
10 The Application proposed (i) to modify the RSP rules² to permit a deviation from the use of the
11 test year number of barrels of No. 6 fuel in the calculation of the RSP Fuel Rider; (ii) to update the
12 Newfoundland Power RSP Adjustments (including the conclusion of the RSP Current Plan
13 Mitigation Adjustment); (iii) to update the CDM Cost Recovery Adjustment; and (iv) to implement
14 an interim increase in base rates for Newfoundland Power, all effective July 1, 2018. The
15 Application stated that approval of these proposals will permit partial recovery of the increased
16 cost of serving Newfoundland Power. The Application noted that the approved interim rates for
17 the Island Industrial customers resulted in an average increase of 1.2% and recovery of 70% of
18 Hydro's increased costs of serving those customers in 2018.³

19
20 In relation to the proposed revision to the RSP rules the Application explained that the rules
21 currently require that the Fuel Rider be calculated based on the approved test year number of
22 barrels of No. 6 fuel. The Application stated that, as a result of anticipated off-island power
23 purchases for the period July 1, 2018 to June 30, 2019, Hydro is forecasting that the amount of
24 No. 6 fuel consumed will be approximately 1.3 million barrels lower than the approved 2015 test
25 year number of barrels. Further Hydro expects that, if the current RSP rules were applied, a large
26 balance would accrue in the RSP as a result of the RSP Fuel Rider being materially higher than
27 required. Using the updated number of forecast barrels of No. 6 fuel would reduce the utility
28 customer allocation by approximately \$25.0 million and would reduce the Newfoundland Power
29 RSP Fuel Rider from 0.672 ¢ per kWh to 0.423 ¢ per kWh.⁴ The Application cited the Board's
30 decision in 2008 to approve revised RSP rules to permit a revised number of barrels of No. 6 fuel
31 to be used in the calculation of the fuel rider.⁵ The Application explained that the forecast fuel
32 price of \$85.55 per barrel (CDN) used in the calculation of the RSP Fuel Rider is an increase of
33 \$21.14 per barrel from the 2015 test year No. 6 fuel price, and an increase of \$4.15 per barrel
34 compared to the price reflected in Newfoundland Power's current RSP Fuel Rider.

35
36 In relation to the proposed RSP Current Plan adjustment the Application stated that the proposal
37 provides for the disposition of the balance at March 31, 2018, plus forecast financing charges, in
38 accordance with existing RSP rules. Further the Application proposed the conclusion of the RSP
39 Current Plan Mitigation Adjustment, effective July 1, 2018. The Application explained that in
40 Order No. P.U. 16(2017) the Board approved a transfer from the Newfoundland Power RSP Load
41 Variation balance to the Newfoundland Power RSP Current Plan to mitigate the proposed July 1,
42 2017 RSP Adjustment rate increase and in Order No. P.U. 22(2017) the Board approved an RSP

² The RSP rules were approved in Order No. P.U. 31(2017)

³ Order No. P.U. 7(2018)

⁴ The current Newfoundland Power RSP Fuel Rider was approved in Order No. P.U. 22(2017).

⁵ Order No. P.U. 11(2008)

1 Current Plan Mitigation Adjustment providing for the disposition of the credit balance transfer
2 over the period July 1, 2017 to June 30, 2018.⁶

3
4 The Application also proposed to increase the CDM Cost Recovery Adjustment from 0.019 ¢ per
5 kWh to 0.022 ¢ per kWh to provide for recovery over a seven-year period of the costs charged
6 annually to the CDM Cost Deferral Account in accordance with Order No. P.U. 49(2016).

7
8 In relation to the proposed RSP adjustments and CDM Cost Recovery Adjustment, the Application
9 stated that the proposals will provide for reasonable recovery of costs during the period between
10 the approval of test year rates and, further, that the proposals are consistent with the deferral
11 account recovery mechanisms approved by the Board. The estimated average customer impact of
12 the RSP and CDM adjustments is 7.1% at the wholesale level and 4.7% at the end-consumer level.
13 The Application explained that without the proposed revision to the RSP rules the end-consumer
14 rate increase for the RSP adjustments would be 8.9%.⁷

15
16 In relation to the proposed interim utility base rates, the Application explained that the continuation
17 of 2015 test year base rates for Newfoundland Power in 2018 is forecast to result in a 2018 revenue
18 deficiency, a net loss for Hydro in 2018, and a return on rate base below the lower end of the
19 approved range of return on rate base. The estimated revenue deficiency is \$53.8 million if the
20 proposed Off-Island Purchases Deferral Account is approved (the “Deferral Account Scenario”),
21 and, alternatively, \$43.4 million under the Expected Supply Scenario.⁸ According to the evidence
22 the proposed July 1, 2018 interim rates for Newfoundland Power would provide recovery of
23 approximately 26% of the 2018 revenue deficiency if the Deferral Account Scenario is approved,
24 or, alternatively, under the Expected Supply Scenario, approximately 35% recovery.⁹ The average
25 end-consumer impact of the proposed Newfoundland Power interim base rates is estimated to be
26 2.8%. The interim rate increase in Newfoundland Power rates is proposed to apply to the first
27 block energy charge of the Utility rate to ensure that that additional base rate revenues resulting
28 from the implementation of interim rates are recorded as revenue and are not transferred to the
29 RSP balance. The Application stated that approval of an increase in base rates on an interim basis
30 in 2018 would reduce the amount of the 2018 revenue deficiency and possibly 2019 revenue
31 deficiency to be recovered from customers in future years, contribute to rate stability and reduce
32 intergenerational equity concerns caused by delayed rate implementation.

33
34 The Application proposed an overall end-consumer average rate increase on July 1, 2018 of 7.5%
35 and estimated that the forecast increase for 2019 would be 9.4% in the Deferral Account Scenario
36 and 4.6% in the Expected Supply Scenario.¹⁰ The Application set out that if the interim rates are

⁶ Application, Schedule 1 – Evidence (Revision 1 – April 20, 2018), pages 6-7

⁷ Application, Schedule 1 – Evidence (Revision 1 – April 20, 2018), page 8

⁸ The Off-Island Purchases Deferral Account would capture any difference between the actual costs attributable to off-island power purchases and the costs that would have been incurred if that same amount of energy had been supplied from the Holyrood Thermal Generating Station. The Expected Supply Scenario is the subject of the additional evidence filed on March 22, 2018, in accordance with Order No. P.U. 2(2018).

⁹ Application, Schedule 1 – Evidence (Revision 1 – April 20, 2018), page 10

¹⁰ Recovery of the deferred supply costs of \$65.4 million over 20 months is included in the Expected Supply Scenario but is not reflected in the Deferral Account Scenario. Hydro explained that one option for the recovery of the deferred supply costs is to use the Off-Island Purchases Deferral Account so that there would be no additional customer impacts forecast in 2019.

1 not approved an estimated end-consumer increase of 13.0% is forecast for 2019. In Hydro's view
2 the interim rates proposal is a balanced approach in managing customer rate impacts while also
3 providing a reasonable opportunity for cost recovery by Hydro.
4

5 **Submissions**

6

7 The Consumer Advocate submitted that the proposed revision to the number of barrels of No. 6
8 fuel to be used in the calculation of the RSP Fuel Rider is a better reflection of the forecast cost of
9 supply and the Expected Supply Scenario. The Consumer Advocate noted, however, that this
10 proposal is inconsistent with the Deferral Account Scenario proposed by Hydro and the interim
11 rates approved for the Island Industrial customers in Order No. P.U. 7(2018). The Consumer
12 Advocate suggested that the same change be incorporated in the Island Industrial customers'
13 interim rates and that the 2017 general rate application be based on the Expected Supply Scenario.
14 The Consumer Advocate noted that the impact on the Island Industrial customer rates would be
15 about 0.1% of annual billings.¹¹ Aside from these conditions the Consumer Advocate took no
16 exception to updating the RSP Fuel Rider, the RSP Current Plan, or the CDM Cost Recovery
17 Adjustment, effective July 1, 2018.
18

19 The Consumer Advocate expressed a number of concerns in relation to the 2018 interim base rate
20 increase proposed for Newfoundland Power and its customers. In the Consumer Advocate's view
21 Hydro has over-stated its revenue requirement, particularly as relates to labour costs, and has
22 under-stated the level of cost cutting necessary in the circumstances. The Consumer Advocate
23 submitted that all the evidence should be available before a decision is made to grant Hydro any
24 increase in base rates. The Consumer Advocate questioned Hydro's position that an interim rate
25 increase will reduce the required rate increase in 2019 and stated that Hydro's plan is not evidence
26 based, has not been subject to elasticity studies, and further that the ultimate costs for consumers
27 of the Muskrat Falls project is not known. The Consumer Advocate stated that consumers require
28 rate certainty and correct rate signals. The Consumer Advocate submitted that under Hydro's
29 current proposals customers would be subject to rate increases of close to 17% over a six-month
30 period which would constitute rate shock. According to the Consumer Advocate the parties and
31 the Board require a clear understanding of rates and revenues needed in the long-term before
32 interim rates are approved. The Consumer Advocate submitted that it is problematic that no
33 agreement has yet been reached on any cost of service scenario. The Consumer Advocate also
34 opposed the use of funds from the proposed Off-Island Purchases Deferral Account to cover the
35 \$65.4 million owing in relation to the deferred supply costs.
36

37 The Consumer Advocate noted Hydro's response to CA-NLH-298 that in the Expected Supply
38 Scenario, should actual savings from off-island purchases be less than forecast, a supply cost
39 balance owing from customers would accumulate in a revised Energy Supply Cost Variance
40 Deferral Account which would result in higher rates in a future period, likely during the same time
41 frame as the rate increases to recover the cost of Muskrat Falls. The Consumer Advocate noted
42 that Hydro has not yet applied to modify any of the supply cost deferral accounts. Further, the
43 Consumer Advocate suggested that consideration could be given to a rate mitigation plan based
44 on a rate surcharge or rate rider and noted that all of these issues need further evidence before any
45 Hydro deferral plan should be considered. The Consumer Advocate also stated the parties and the

¹¹ PUB-NLH-155

1 Board require additional information on rate impacts which will not be known until a decision is
2 made on the cost of service scenario.

3
4 In the Consumer Advocate's view costs, rates and rate increases should be based on Hydro's best
5 forecast costs, not the proposed Deferral Account Scenario which masks the true costs of supply.
6 The Consumer Advocate did not support Hydro's approach to rate mitigation and stated that, to
7 guard against potential rate shock, the parties and the Board need a complete picture of Hydro's
8 costs, rates and rate increases before settling on interim rates and rate mitigation.

9
10 Newfoundland Power submitted that the proposed annual rate adjustments (the RSP and CDM
11 adjustments) are reasonable and should be approved. According to Newfoundland Power the
12 proposed annual adjustments are in accordance with the approved RSP rules and previous orders
13 of the Board. Newfoundland Power submitted that, in light of the significant forecast reduction in
14 fuel consumption at Holyrood, Hydro's proposal to revise the number of barrels of No. 6 fuel used
15 in the calculation of the RSP Fuel Rider is reasonable in the circumstances and should be approved.

16
17 In relation to the proposed interim base rate component of the Utility rate Newfoundland Power
18 submitted that, in light of the potential 2019 rate impact on Newfoundland Power customers if
19 interim rates are not approved, the interim rates proposal in the Application is not unreasonable in
20 the circumstances. Newfoundland Power acknowledged that the evidence filed in support of the
21 Application indicates that continuation of the existing Utility base rates in 2018 would result in a
22 material revenue deficiency for Hydro, which would result in a return on rate base below the lower
23 end of the approved range of return on rate base. However, Newfoundland Power submitted that
24 Hydro's 2018 and 2019 proposed test year costs appear high, with operating costs forecast at levels
25 well above inflation, and that should a portion of Hydro's proposed test year revenue requirement
26 be disallowed the 2018 revenue deficiency could be materially lower than forecast. Newfoundland
27 Power stated:

28
29 Hydro's test year costs have not been tested in the GRA. However, the interim rates
30 proposal in the Application provides for recovery of only a portion of the forecast 2018
31 revenue deficiency. This minimizes the risk of costs which are not clearly appropriate for
32 interim rate recovery being borne prematurely by customers. Further, should the Board's
33 approval of interim rates result in excess revenue being collected from customers, the
34 Board is empowered to remedy that in its final GRA order.¹²

35
36 Newfoundland Power noted that the proposed interim rates provide for recovery of 26% of the
37 forecast 2018 revenue deficiency in the Deferral Account Scenario and 35% in the Expected
38 Supply Scenario. Newfoundland Power submitted that, if rates are not approved for July 1, 2018,
39 the forecast January 1, 2019 rate impact on Newfoundland Power's customers under the Deferral
40 Account Scenario could be well above 10%. According to Newfoundland Power the interim rates
41 proposal appears to take a measured approach to recovery of Hydro's forecast 2018 revenue
42 deficiency.

43
44 In its reply Hydro submitted that the issues raised by the Consumer Advocate are without merit.
45 In relation to the Consumer Advocate's suggestion that the Island Industrial customer RSP Fuel

¹² Newfoundland Power Submission, page 4

1 Rider should also reflect the revised number of barrels of No. 6 fuel, Hydro explained that
2 Newfoundland Power and the Island Industrial customers have discrete accounts in the RSP which
3 ensure that charges and credits are tracked separately regardless of any differences in RSP riders.
4 Hydro also noted that there are other differences in the RSP rules between Newfoundland Power
5 and the Island Industrial customers. Hydro estimated that the consequences of not using the revised
6 number of barrels of No. 6 fuel for the Island Industrial customers would be approximately \$57,000
7 and this amount would flow through the RSP recovery adjustment in 2019. As such Hydro
8 submitted that no change is required at this time to the existing Island Industrial customer rates.
9 Hydro also noted that the proposed changes to the RSP rules would permit a revised number of
10 barrels of fuel to be used in determining the January 1, 2019 RSP Fuel Rider for Island Industrial
11 customers.

12
13 In relation to the Consumer Advocate's question as to whether Hydro needs a rate increase at all,
14 Hydro submitted that the proposed level of recovery is not unreasonable. Hydro noted that it has
15 invested approximately \$500 million in capital in the electrical system since its last general rate
16 application and it is not currently recovering the increased cost of serving Newfoundland Power
17 and other island rural customers. Hydro acknowledged that the projected 7.5% end-consumer rate
18 increase is material but submitted that if the Board does not approve the proposed 2.8% interim
19 base rate change the end-consumer rate increase required at the conclusion of the 2017 general
20 rate application could be in excess of 10%. Hydro submitted that the Application provides a
21 reasonable balance of utility cost recovery and customer rate impacts.

22
23 According to Hydro the proposed changes to the RSP adjustments and RSP rules are consistent
24 with past practice and result in RSP adjustments that will reasonably reflect the forecast No. 6 fuel
25 cost variance between test years. Hydro also submitted that its request for a 2.8% interim Utility
26 base rate increase is reasonable and gives reasonable consideration to intergenerational equity and
27 customer rate stability. In Hydro's view the Application provides a reasonable balance of the
28 interests of the utility and customers.

29 30 **Board Findings**

31
32 In Hydro's last general rate application proceeding, the Board stated the following in relation to
33 an interim rates application filed by Hydro during the proceeding:

34
35 In exercising its discretion in relation to an interim rate application the Board balances the
36 interests of the utility and consumers, considering the provision of the *EPCA* which set out
37 that rates should be reasonable and not unjustly discriminatory and should enable a utility
38 to earn a just and reasonable return so that it is able to achieve and maintain a sound credit
39 rating. The Board is directed to apply tests which are consistent with generally accepted
40 sound public utility practice, which would include consideration of principles such as fair
41 return, rate stability, rate shock, predictability, certainty, fair cost apportionment,
42 appropriate price signals and intergenerational equity.¹³

43
44 In this Application Hydro has applied for approval of rates for Newfoundland Power in advance
45 of the conclusion of the 2017 general rate application. The proposals in the Application are

¹³ Order No. P.U. 14(2015), page 12

1 estimated to result in an average increase in rates of 7.5% for the end-consumer. While the actual
2 rate impact on individual customers will vary depending on the circumstances of each customer,
3 all Newfoundland Power customers would be impacted, as well as Hydro customers whose rates
4 are based on Newfoundland Power's rates, including Hydro rural customers. The Board notes that
5 in Order No. P.U. 7(2018) interim rates were approved for Island Industrial customers but not for
6 Labrador Industrial Transmission customers.

7
8 The rate proposals in the Application include changes to Newfoundland Power's RSP rates and
9 CDM Cost Recovery Adjustment, which are annual adjustments implemented on July 1, pursuant
10 to previous orders of the Board. In addition the Application requested approval of interim utility
11 base rates to be charged to Newfoundland Power effective July 1, 2018. The Board will address
12 the proposed RSP and CDM adjustments and the proposed interim Utility base rates separately
13 below.

14
15 *RSP Rates and CDM Cost Recovery Adjustment*

16 The proposed adjustments to the RSP rates are estimated to result in an average end-consumer
17 increase of 4.7%. The RSP was implemented in 1986 primarily to address concerns related to rate
18 stability and volatility in Hydro's revenue requirement due to events beyond Hydro's control.¹⁴
19 The RSP has been revised on numerous occasions but continues to be the primary mechanism for
20 smoothing the impact of volatile oil prices on both Hydro and customers. The RSP rules provide
21 for annual adjustments with respect to: (i) the RSP Fuel Rider to reflect anticipated changes in the
22 price of fuel in the coming year; and (ii) the RSP Current Plan to provide for collection of the
23 balance that accumulated in the account in the previous year.

24
25 The proposed RSP Fuel Rider reflects an amendment to the RSP rules which is proposed by Hydro
26 to permit a revision to the number of barrels of No. 6 fuel used in the calculation of the Fuel Rider.
27 The RSP rules currently provide that the Fuel Rider is calculated based on the approved test year
28 number of barrels of No. 6 fuel to be consumed at the Holyrood Thermal Generating Station. Based
29 on the evidence, there is a significant change in the forecast number of barrels of No. 6 fuel to be
30 consumed as a result of anticipated off-island power purchases for the period July 1, 2018 to June
31 30, 2019.¹⁵ The Board accepts Hydro's submission, that without an adjustment, the Newfoundland
32 Power RSP Fuel Rider would be materially higher than required, a large balance would accumulate
33 in the Newfoundland Power RSP, and the estimated average end-consumer impact for all RSP
34 adjustments would be 8.9%, rather than 4.7%.

35
36 Newfoundland Power submitted that the proposed RSP rates were reasonable and should be
37 approved. The Consumer Advocate took no exception to the proposed RSP Fuel Rider, on the
38 condition that his support for the proposal was based on the same approach being taken for Island
39 Industrial customers and that the 2017 general rate application be based on the Expected Supply
40 Scenario. The Board does not agree that the suggested conditions should be placed on the proposed
41 revision to the number of barrels of fuel to be used in the calculation of the Newfoundland Power
42 RSP Fuel Rider. Based on the evidence, making the same adjustment to the Island Industrial
43 customers' RSP Fuel Rider at this time would not have a material impact. The Board notes that
44 there are distinct accounts within the RSP for Island Industrial customers and Newfoundland

¹⁴ Order No. P.U. 7(2002-2003), pages 83-84

¹⁵ The forecast is 1.3 million barrels less than the approved 2015 test year number of barrels.

1 Power and these accounts are not always the same. Further, the proposed changes to the RSP rules
2 allow the number of barrels of fuel in the Island Industrial customer RSP Fuel Rider to be revised
3 in the next RSP rate adjustment in January of 2019. In relation to the Consumer Advocate's
4 suggestion that the general rate application be based on the Expected Supply Scenario, the
5 evidence in the Application demonstrates that the interim rate proposals for July 1, 2018 are the
6 same in the Deferral Account Scenario and the Expected Supply Scenario. According to the
7 evidence the differences in the results under the two scenarios arise with respect to the 2019 test
8 year forecasts, which will be more fully examined as a part of the ongoing general rate application
9 proceeding.

10
11 Beginning in 2018 the Island Interconnected system will be supplied, in part, through the purchase
12 of power from off-island sources. As a result of this change it is anticipated that there will be a
13 material reduction in the amount of fuel to be consumed at the Holyrood Thermal Generating
14 Station over the period July 1, 2018 to June 30, 2019. This significant change is not accounted for
15 in the current RSP rules which require that the RSP Fuel Rider be based on the approved 2015 test
16 year number of barrels of fuel. Without the proposed revision, the RSP Fuel Rider would not
17 reasonably reflect the forecast for 2018 and a large balance would accrue in the Newfoundland
18 Power RSP. In the Board's view the proposed amendment is consistent with the overall purpose
19 of the RSP to provide rate stability. The Board notes it has in the past approved a similar adjustment
20 to the RSP to reflect a substantial reduction in Island Industrial customer load.¹⁶ The Board
21 believes that, given the significant change in circumstances on the Island Interconnected system
22 in 2018 and in light of the significant rate increase that would otherwise result, Hydro's proposal
23 is reasonable in the circumstances. The Board finds that the proposal to revise the RSP rules to
24 allow a deviation from the use of the test year number of barrels of No. 6 fuel in the calculation of
25 the RSP Fuel Rider should be approved. The Board also finds that the proposal to calculate the
26 Newfoundland Power RSP Fuel Rider based on the updated number of forecast barrels of No. 6
27 fuel is reasonable in the circumstances and should be approved.

28
29 The proposed RSP Current Plan rate was calculated in accordance with the existing RSP rules and
30 reflects the conclusion of the RSP Current Plan Mitigation Adjustment which was implemented in
31 2017 to mitigate a significant increase in the RSP rates for the period July 1, 2017 to June 30,
32 2018.¹⁷ The Board is satisfied that the balance used to fund the RSP Current Plan Mitigation
33 Adjustment will be substantially expended on June 30, 2018 at which time the RSP Rate Mitigation
34 Adjustment should conclude. The Board notes that the proposed RSP Current Plan rate which does
35 not include the mitigation adjustment was not challenged by the Consumer Advocate¹⁸ or
36 Newfoundland Power. The Board finds that the proposed RSP Current Plan rate is reasonable and
37 should be approved.

38
39 The proposed CDM Cost Recovery Adjustment provides for the recovery of the costs associated
40 with Hydro's conservation and demand management program, in accordance with Order No. P.U.
41 49(2016). The proposed CDM Cost Recovery Adjustment was not challenged by either the
42 Consumer Advocate or Newfoundland Power. According to the evidence the increase in this rate

¹⁶ Order No. P.U. 11(2008)

¹⁷ Order Nos. P.U. 16(2017) and P.U. 22(2017)

¹⁸ Subject to the above discussion in relation to the RSP Fuel Rider and consistency with other issues.

1 has a negligible impact on end-consumer rates. The Board finds that the proposed CDM Cost
2 Recovery Adjustment is reasonable and should be approved.

3
4 *Utility Base Rates*

5 The proposed interim Utility base rates are estimated to result in an average end-consumer increase
6 of 2.8%. Newfoundland Power stated that the interim rate proposal is not unreasonable in light of
7 the potential 2019 rate impacts if interim rates are not approved. The Consumer Advocate opposed
8 the proposed interim base rate increases and submitted that Hydro has over-stated its revenue
9 requirement and more evidence is needed before any increase in base rates is granted. The
10 Consumer Advocate argued that, to guard against potential rate shock, there should be a complete
11 picture of Hydro's costs, rates and rate increases before settling on interim rates and rate
12 mitigation.

13
14 The Board notes that the legislation and regulatory practice provide for approval of rates on an
15 interim basis, unilaterally and without a public hearing. The 2017 general rate application was filed
16 on July 28, 2017 and the record is substantial, including expert reports and responses to over one
17 thousand RFIs. In addition the hearing is underway and is scheduled to resume on July 16, 2018.
18 Further the proposals in the Application were supported with additional evidence and RFI
19 responses. While there is still a great deal of evidence to be presented in the 2017 general rate
20 application the Board is satisfied that there is sufficient information on the record to address the
21 proposed interim Utility base rates.

22
23 The Board acknowledges that the proposed interim Utility base rates, when combined with the
24 proposed RSP and CDM adjustments, would result in a significant average increase for end-
25 consumers. Nevertheless the Board must balance the interests of the Utility and the consumer in
26 considering the proposals in the Application. The Board is concerned about the potential impact
27 on 2019 rates if it is found at the end of the general rate application that the existing rates are
28 inadequate to recover the approved 2018 revenue requirement. In this event there would be a 2018
29 revenue deficiency to be collected in rates beginning in 2019, which in the Board's view may raise
30 issues related to rate shock, rate stability, and intergenerational equity.¹⁹ While the Board
31 acknowledges that the proposed 2018 revenue requirement has not yet been fully tested, the Board
32 is satisfied that there is sufficient evidence to suggest that the existing rates may not be adequate
33 in 2018. The Board notes that the proposed interim base rates provide for the recovery of only 26%
34 to 35% of the forecast 2018 revenue deficiency and, if the interim rates are found to be too high,
35 the excess can be returned to customers or used to offset future rate increases. The Board is
36 satisfied that the implementation of the proposed interim base rates will reduce the risk of rate
37 shock upon the implementation of final rates in this general rate application and is in accordance
38 with the principles of intergenerational equity and rate stability. The Board finds that the proposed
39 interim Utility base rates are reasonable and should be approved.

¹⁹ According to the Application, Schedule 1 – Evidence (Revision 1- April 20, 2018), page 12 the forecast increase is 13.0%.

1 **IT IS THEREFORE ORDERED THAT:**

- 2
- 3 1. The proposed revisions to the Rate Stabilization Plan rules, as set out in Schedule A to this
- 4 Order, to be effective July 1, 2018, are approved.
- 5
- 6 2. The proposal to use 1,273,184 barrels of No. 6 fuel in the calculation of the Rate Stabilization
- 7 Plan Fuel Rider for Newfoundland Power, to be effective July 1, 2018, is approved on an
- 8 interim basis.
- 9
- 10 3. The proposed Utility rates to be effective on all electrical consumption on and after July 1,
- 11 2018, as set out in Schedule B to this Order, are approved on an interim basis.
- 12
- 13 4. Hydro shall pay all expenses of the Board arising from this Application.

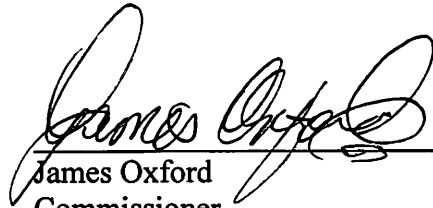
DATED at St. John's, Newfoundland and Labrador, this 28th day of May, 2018.



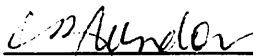
Darlene Whalen, P. Eng.
Chair & CEO



Dwanda Newman, LL.B.
Vice-Chair



James Oxford
Commissioner



Cheryl Blundon
Board Secretary

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN

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 (Continued)

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:

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

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN (Continued)

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 Firmed-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

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

N = Existing rate

O = Actual Units (kWh, bills, billing demand)

2. Monthly Customer Allocation: Load and Fuel Activity

Each month, the year-to-date total for fuel price variation and the year-to-date total for the load 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 and the year-to-date portion of the load 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.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN (Continued)

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. The RSP balances shall be adjusted by other amounts as ordered by the Board. 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 cost, 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 (Continued)

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 fuel contract premium or (discount) (\$US/bbl) for the following January to December
U = the monthly average of the \$Cdn / \$US Bank of Canada Exchange Rate for the month of September
V = average Test Year Cost of Service cost of 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 Test Year, or an alternate forecast number of barrels as approved by the Board.

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 10th 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 cost, 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 fuel contract premium or (discount) (\$US/bbl) for the following July to June
V = average Test Year Cost of Service cost of 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, or an alternate forecast number of barrels as approved by the Board.
X = the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for July to December of the current year and for the January to June period of the subsequent year.
Y = the monthly average of the \$Cdn / \$US Bank of Canada Exchange Rate for the month of March

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN (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.

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 10th 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.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN (Continued)

2. Island Industrial Customers

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.

Section E: RSP Surplus:

The Newfoundland Power allocated amount of the RSP Surplus will be refunded to Newfoundland Power and Hydro's Rural customers in accordance with Hydro's Customer Refund Plan approved in Order No. P.U. 36(2016).

Financing charges on the Newfoundland Power plan balance will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

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. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below.

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		83,142
Thermal Generation Credit		<u>36,187</u>
Total Generation Credit		119,329

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 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.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (continued) (INTERIM)

“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 (continued) (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 (continued) (INTERIM)

Monthly Rates:

Billing Demand Charge:

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

\$4.75 per kW of billing demand

Energy Charge:

First 250,000,000 kilowatt-hours* @ 2.782 ¢ per kWh
All excess kilowatt-hours* @ 10.422 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by
Corner Brook Pulp and Paper Limited* @ 2.882 ¢ per kWh

RSP Adjustment:

Current Plan @ (0.296) ¢ per kWh
Fuel Rider @ 0.423 ¢ per kWh
Total RSP Adjustment – All kilowatt-hours @ 0.127 ¢ per kWh

CDM Cost Recovery Adjustment @ 0.022 ¢ 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 (continued) (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.