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DELIVERED BY HAND

June 30, 2016

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Ladies & Gentlemen:

**Re: Approval of a Plan for the Refund to Newfoundland Power's Customers of a Surplus Balance in Newfoundland and Labrador Hydro's Rate Stabilization Plan ("RSP")**

**A. The Application**

Enclosed please find the original and 11 copies of an application for approval of a plan (the "Plan") to refund to Newfoundland Power's customers a portion of a balance which accrued in Newfoundland and Labrador Hydro's ("Hydro's") rate stabilization plan ("RSP") over the period January 1, 2007 to August 31, 2013 (the "Application").

The Application requests an Order from the Board approving the Plan, including the:

- (i) Calculation and payment of refunds to Newfoundland Power's customers;
- (ii) Transfer of funds from the RSP to permit Newfoundland Power to provide the refunds to its customers; and
- (iii) Recovery from the RSP by Newfoundland Power of its reasonable costs of administering the Plan.

**B. Background of the Application**

Between January 1, 2007 and August 31, 2013, a surplus balance accumulated in Hydro's RSP as a result of a reduction in the load of certain industrial customers on the Island interconnected electrical system (the "RSP Surplus").

**Newfoundland Power Inc.**

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By Order in Council OC2013-089 and Order in Council OC2013-091, both dated April 4, 2013, (the "Orders in Council"), the Provincial Government provided direction to the Board and Hydro's board of directors regarding, among other things, the disposition of a portion of the RSP Surplus by means of a direct payment or rebate to ratepayers, including Newfoundland Power's customers. The Orders in Council direct that the Board is to make the final determination on the details of the refund to ratepayers.

In Order No. P.U. 9 (2014), the Board indicated it expected that Hydro, Newfoundland Power and the Consumer Advocate would work jointly to determine a reasonable and appropriate approach in relation to the refund consistent with the Orders in Council and file a consensus proposal with the Board for its consideration.

On January 8, 2016, Newfoundland Power provided a draft refund proposal for evaluation and comments by Hydro and the Consumer Advocate. In February 2016, it was agreed among Newfoundland Power, Hydro and the Consumer Advocate that the draft proposal, with agreed modifications (the "Consensus Proposal"), reflected a reasonable and appropriate approach consistent with the Orders in Council.

The Plan is based on the Consensus Proposal.

### **C. Concluding**

We trust that the foregoing and enclosed are found to be in order.

A copy of this letter, together with a copy of the enclosures, has been forwarded directly to Geoffrey Young of Newfoundland and Labrador Hydro and Thomas Johnson, QC, Consumer Advocate.

If you have any questions regarding the enclosed, please contact the Company at your convenience.

Yours very truly,



Gerard M. Hayes  
Senior Counsel

Enclosures

#### **Newfoundland Power Inc.**

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Board of Commissioners  
of Public Utilities  
June 30, 2016  
Page 3 of 3

c. Geoffrey Young  
Newfoundland and Labrador Hydro

Thomas Johnson, QC  
Consumer Advocate

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**IN THE MATTER OF** the  
*Public Utilities Act*, (the “Act”); and

**IN THE MATTER OF** a  
proposal by Newfoundland Power Inc.  
 (“Newfoundland Power”) for the  
refund to its customers of a surplus balance  
in Newfoundland and Labrador Hydro’s (“Hydro”)   
Rate Stabilization Plan.

**TO:** The Board of Commissioners of Public Utilities (the “Board”)

**THE APPLICATION OF Newfoundland Power SAYS:**

**A. Background**

1. Newfoundland Power and Hydro are corporations duly organized and existing under the laws of the province of Newfoundland and Labrador, are public utilities within the meaning of the Act, and are subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Hydro’s Rate Stabilization Plan (the “RSP”) is a mechanism that limits volatility in customer rates related to variations in the cost of fuel used at the Holyrood Thermal Generating Station.
3. Between January 1, 2007 and August 31, 2013, a surplus balance accumulated in the RSP as a result of a reduction in the load of certain industrial customers on the Island interconnected electrical system (the “RSP Surplus”).
4. By Order in Council OC2013-089 and Order in Council OC2013-091, both dated April 4, 2013, (the “Orders in Council”), the Provincial Government provided direction to the Board and Hydro’s board of directors regarding, among other things, the disposition of a portion of the RSP Surplus by means of a direct payment or rebate to ratepayers, including Newfoundland Power’s customers.
5. The Orders in Council direct that the Board is to make the final determination on the details of the refund to ratepayers.
6. In Order No. P.U. 9 (2014), the Board found that refunds of the RSP Surplus should be made as a direct payment or rebate to Newfoundland Power customers and customers on each of Hydro’s systems, except the Island Industrial customers.
7. Upon appeal of Order No. P.U. 9 (2014) by the Consumer Advocate, the Newfoundland and Labrador Court of Appeal determined that the refund in the form of a rebate is to be made to Newfoundland Power’s customers and to Hydro’s island grid customers, and referred the matter back to the Board with respect to other issues.

8. In Order No. P.U. 9 (2014), the Board expressed an expectation that Hydro, Newfoundland Power and the Consumer Advocate would work jointly to determine a reasonable and appropriate approach in relation to the refund consistent with the direction of Provincial Government and file a consensus proposal with the Board for its consideration.

**B. The 2016 RSP Surplus Refund Plan**

9. The evidence filed in support of this Application fully describes the Newfoundland Power RSP Surplus Refund Plan (the “RSP Surplus Refund Plan”).
10. The RSP Surplus Refund Plan reflects a consensus of Hydro, Newfoundland Power and the Consumer Advocate as to a reasonable and appropriate approach in relation to Newfoundland Power’s refund of the RSP Surplus to its customers, as contemplated by the Orders in Council and Order No. P.U. 9 (2014).
11. The RSP Surplus Refund Plan, amongst other things, provides for:
  - (i) Calculation and payment of refunds to Newfoundland Power’s customers of a portion of the RSP Surplus in accordance with the direction provided in the Orders in Council;
  - (ii) Transfers of funds from the RSP to permit Newfoundland Power to provide the refunds to its customers; and
  - (iii) Recovery from the RSP of Newfoundland Power’s reasonable costs of administering the refunds to customers;all as described in the evidence filed in support of this Application.
12. The RSP Surplus is estimated to total approximately \$141.7 million at October 31, 2016. Of this amount, approximately \$128.8 million is proposed to be refunded to customers of Newfoundland Power under the terms of the Plan.

**C. Order Requested**

13. Newfoundland Power requests an Order from the Board approving the RSP Surplus Refund Plan, including the:
  - (i) Calculation and payment of refunds to Newfoundland Power’s customers of a portion of the RSP Surplus;
  - (ii) Transfer of funds from the RSP to permit Newfoundland Power to provide the refunds to its customers; and

- (iii) Recovery from the RSP by Newfoundland Power of its reasonable costs of administering the RSP Surplus Refund Plan;

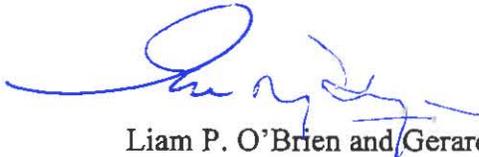
all as described in the evidence filed in support of this Application,

**D. Communications**

Communications with respect to this Application should be forwarded to the attention of Liam P. O'Brien and Gerard M. Hayes, Counsel to Newfoundland Power.

DATED at St. John's, Newfoundland and Labrador, this 30<sup>th</sup> day of June, 2016.

**NEWFOUNDLAND POWER INC.**



Liam P. O'Brien and Gerard M. Hayes  
Counsel to Newfoundland Power  
Newfoundland Power Inc.  
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**IN THE MATTER OF** the  
*Public Utilities Act*, (the "Act"); and

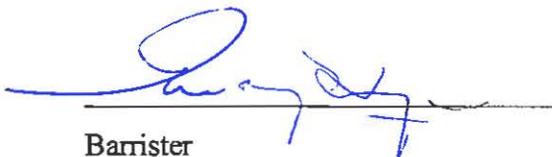
**IN THE MATTER OF** a  
proposal by Newfoundland Power Inc.  
("Newfoundland Power") for the  
refund to its customers of a surplus balance  
in Newfoundland and Labrador Hydro's ("Hydro")  
Rate Stabilization Plan.

**AFFIDAVIT**

I, Peter Alteen, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. That I am Vice President, Regulation and Planning, of Newfoundland Power Inc.
2. To the best of my knowledge, information and belief, all matters, facts and things set out in this Application are true.

**SWORN** to before me at St. John's  
in the Province of Newfoundland and Labrador  
this 30<sup>th</sup> day of June, 2016,  
before me:



Barrister



Peter Alteen

---

**2016 RSP Surplus Refund**

**Evidence of  
Newfoundland Power Inc.**

**June 2016**

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1 **A. OVERVIEW**

2 This Application seeks Board approval of a plan (the “Plan”) to refund to Newfoundland  
3 Power’s customers a portion of a balance which accrued in Newfoundland and Labrador  
4 Hydro’s (“Hydro’s”) rate stabilization plan (“RSP”) over the period January 1, 2007 to  
5 August 31, 2013 (the “Refund Period”).

6  
7 The aggregate and per kilowatt hour (“kWh”) amounts to be refunded under the Plan as  
8 estimated at October 31, 2016 are shown in Exhibit 1.<sup>1</sup>

9  
10 As at October 31, 2016, an estimated balance of approximately \$138.2 million in  
11 Hydro’s RSP is expected to be available for refund to Newfoundland Power’s customers  
12 and Hydro’s rural Island Interconnected system customers.<sup>2</sup> This amount represents an  
13 estimated balance in Hydro’s RSP of approximately \$141.7 million, less estimated utility  
14 refund administration costs of \$3.5 million.

15  
16 Approximately \$128.8 million of the estimated October 31, 2016 balance is expected to  
17 be refunded to customers of Newfoundland Power in accordance with the terms of the  
18 Plan. This estimate reflects the proportion of Newfoundland Power’s customers’ energy

---

<sup>1</sup> The estimates contained in Exhibit 1 provide a reasonable indication of values as of October 31, 2016. The *actual* amount to be refunded will be subject to change due to a number of factors including, the *actual* timing of refund payments and the *actual* incremental utility costs to administer the refunds.

<sup>2</sup> In accordance with the rules governing Hydro’s RSP, balances in favor of customers accrue interest until customers receive the benefit of the balance in reduced electricity rates. Because the surplus balance in Hydro’s RSP is in favor of customers, it should continue to accrue interest until customers receive the benefit of the balance by way of credit or refund.

1 usage to the total non-industrial energy usage on the Island Interconnected system over  
2 the Refund Period.<sup>3</sup>

3

4 No customer refund of this size or complexity has been previously undertaken by  
5 Newfoundland Power.<sup>4</sup>

6

7 Over the 80 months of the Refund Period, Newfoundland Power had approximately  
8 510,000 service accounts.<sup>5</sup> Newfoundland Power delivered approximately 35.4 billion  
9 kWhs of electrical energy to customers during that period. Approximately 18.8 million  
10 customer bills were issued. This Application outlines the basis by which Newfoundland  
11 Power proposes to provide refunds to its customers based upon their kWh usage of  
12 electrical energy over the 6 2/3 year Refund Period.<sup>6</sup>

13

14 Newfoundland Power's customer base is not static. Of the approximately 510,000  
15 service accounts which existed over the Refund Period, almost 315,000, or 62%, are  
16 inactive. Only about 195,000, or 38%, still exist. Newfoundland Power estimates that

---

<sup>3</sup> During the Refund Period, Newfoundland Power's customers accounted for approximately 93.2% of non-industrial energy usage on the Island Interconnected system and Hydro's rural Island Interconnected system customers accounted for approximately 6.8%. See Exhibit 1.

<sup>4</sup> Newfoundland Power provided customer refunds in 1998, 2001 and 2003. The largest refund was in 2001, and included a refund of \$6.7 million plus \$1 million in HST (see Order No. P.U. 37 (2000-2001)). The current refund is more than 15 times larger than the 2001 refund. Each of the prior refunds was calculated on the basis of customer bills for the current or prior year. The current refund is calculated, in part, on the basis of customer billings over 9 years ago.

<sup>5</sup> Many Newfoundland Power customers have multiple service accounts; these 510,000 accounts were in the names of approximately 268,000 customers. Newfoundland Power estimates that approximately 186,000 customers still have active accounts with the Company. Newfoundland Power has limited, if any, information concerning the remaining 82,000 customers which no longer have active accounts.

<sup>6</sup> Hydro's RSP operates in a manner that adjusts customers' energy costs in kWhs each July 1<sup>st</sup>. Accordingly, balances which accrue in Hydro's RSP reflect variations in energy (kWh) production costs. The operating dynamics of Hydro's RSP justify basing customer refunds on energy consumed in the period and not on other customer bill components (i.e., demand charges or customer charges).

1 the customers billed for approximately 180,000 of the 315,000 inactive service accounts  
2 have an existing account with the Company. Newfoundland Power should be able to  
3 locate the majority of these customers with reasonable diligence. The whereabouts of  
4 those customers from the Refund Period which do not maintain an existing service  
5 account will be significantly more challenging.<sup>7</sup>

6

7 It is expected that the amount received by customers under the Plan will be highly  
8 variable. This essentially reflects the fact that Newfoundland Power's individual  
9 customer's usage of electrical energy is highly variable.

10

11 Newfoundland Power's domestic customers account for over 85% of all electrical  
12 service accounts. Preliminary indications are that domestic customer accounts without  
13 electric heat will receive an average monthly refund of \$3.04 for each bill the customer  
14 paid in the Refund Period. For domestic customers with electric heat, the average  
15 monthly refund per bill paid will be \$5.57.<sup>8</sup>

16

17 These monthly averages mask a high degree of variability related to actual customer  
18 electricity usage and therefore may not provide a reliable indication of the refund any  
19 particular domestic customer is eligible to receive under the Plan. For domestic

---

<sup>7</sup> Plan implementation is intended to process refunds for existing customers prior to validating refunds for the relatively smaller number of customers without existing accounts.

<sup>8</sup> These refund estimates are preliminary indications and may change as a result of detailed analysis following CSS modifications. In addition, the actual amount customers receive will be reduced by the amount of any outstanding balance at the time of the issue of refunds (see Section 3.2 of the Plan). These amounts do not include any taxes which customers may be eligible to receive as part of the refund.

1 customers, the preliminary indication of credits or refunds ranges from a few dollars per  
2 customer to tens of thousands of dollars per customer.<sup>9</sup>

3

4 The Plan is Exhibit 2.

5

6 The Plan sets out the essential elements of the proposed refund plan, but does not  
7 include the detailed protocols and procedures that will be followed by Newfoundland  
8 Power in implementing the Plan.<sup>10</sup> The operational protocols and procedures of the  
9 Plan will be developed following the Board's approval. Since development of detailed  
10 operational protocols and procedures require a significant investment of time and  
11 resources, it is reasonable that Board approval of the Plan be obtained first.

12

13 The level of detail contained in the Plan is consistent with that contained in  
14 Newfoundland Power's Schedule of Rates, Rules & Regulations (the "Regulations").  
15 The Regulations are approved by the Board, and establish the basic standards of  
16 service which Newfoundland Power is required to provide.<sup>11</sup> However, since not all  
17 circumstances that arise in day-to-day operations are foreseeable, the Regulations  
18 provide the Company with the necessary latitude to exercise judgment in relation to

---

<sup>9</sup> It is estimated that approximately 13,000 domestic customers will receive a credit or refund of less than \$10. These would include customers such as university student rentals, which often take service for a period of a few months or less. It is estimated that less than 30 customers in the domestic class will be eligible for credits or refunds in excess of \$10,000. These customers include some of the largest landlords of residential property in the province.

<sup>10</sup> For example, the Plan defines clear parameters respecting customers' eligibility for, and the manner of calculating, refunds. However, the Plan is not prescriptive with respect to the steps the Company shall take to inform customers of the terms of the Plan or their entitlement to a refund, or as regards the standard of proof customers must meet to establish their eligibility to receive a refund.

<sup>11</sup> Section 71 of the *Public Utilities Act* provides that a public utility "shall submit for the approval of the board the rules and regulations which relate to its service, and amendments to them, and upon approval by the board they are the lawful rules and regulations of the public utility until altered or modified by order of the board."

1 customer service decisions in individual circumstances. Similar latitude will be required  
2 in relation to individual customer circumstances with which the Company will be  
3 required to deal in the administration of the Plan.

4

5 The Plan proposed by Newfoundland Power envisages a significant preparation effort in  
6 advance of the disbursement of any refunds to customers. This includes the  
7 development of the customer service and information systems capability to respond to  
8 the high expected level of customer inquiry concerning Plan operation and the accurate  
9 calculation of customer refunds. It also includes the development of detailed plans to  
10 identify and inform customers who are entitled to a refund, but no longer have an  
11 existing account. In addition, administrative matters such as securing the necessary  
12 assurances from taxing authorities concerning the tax consequences associated with  
13 the refund will also need to be addressed.

14

15 The centerpiece of Newfoundland Power's existing customer service delivery and billing  
16 capability is its customer service system (the "CSS").<sup>12</sup> The CSS is a 24 year old,  
17 custom-developed system which is operated, maintained and enhanced by the  
18 Company. The CSS as currently configured has limited access to historical customer  
19 billing data.<sup>13</sup> To implement the refund as required by the Plan, modifications to the

---

<sup>12</sup> The CSS was custom developed by Newfoundland Power between 1988 and 1992. Since commissioning in 1992, the CSS has processed over 300 million customer transactions and has an overall reliability of 99.9%.

<sup>13</sup> Currently, the CSS can access only 36 months of historical customer billing data.

1 CSS will be necessary to permit the accurate calculation of the amounts to be refunded  
2 for periods as long ago as January 2007.<sup>14</sup>

3  
4 Newfoundland Power expects to be in a position to provide refunds to existing  
5 customers within 4 to 5 months following Board approval of the Plan. This reflects the  
6 expected scope of work required to prepare to effectively administer the Plan. The Plan  
7 will continue in existence for a number of years. Given these timelines, continuing  
8 reporting to the Board of Newfoundland Power's implementation of the Plan is  
9 envisaged.

10  
11 Newfoundland Power should neither benefit nor lose from the administration of a plan to  
12 refund Hydro's RSP surplus.<sup>15</sup> As a result, Newfoundland Power should be entitled to  
13 recover its reasonable incremental costs of administering the Plan. These costs are  
14 currently estimated at approximately \$2.5 million.

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<sup>14</sup> Modifications and enhancements to the CSS are performed by the Company every year. The required CSS modifications to permit the refund to be implemented in a timely manner will be one-time costs for the sole purpose of enabling the Plan and therefore are considered incremental. Minor modifications are also envisaged to the Company's website.

<sup>15</sup> This principle was agreed between Newfoundland Power, the Consumer Advocate and Board hearing Counsel in the Settlement Agreement as part of Newfoundland Power's *2016/2017 General Rate Application* (see Settlement Agreement, page 4, Section 21).

1 **B. BACKGROUND**

2 **B.1 Origins of the RSP Surplus**

3 Commencing in 2007, Hydro experienced lower than expected electricity use by its  
4 industrial customers. This resulted in Hydro using less fuel than forecast at its Holyrood  
5 Thermal Generating Station (“Holyrood”).

6  
7 Hydro’s RSP was created to ensure that Hydro’s customers only pay the actual cost of  
8 fuel consumed at Holyrood. Conceptually, Hydro’s RSP operates in a manner that  
9 collects from, or rebates to, customers the annual differences between Hydro’s forecast  
10 and actual cost of Holyrood fuel.

11  
12 Over the 80 months of the Refund period, approximately \$160 million accumulated in  
13 Hydro’s RSP as a result of reduced electricity usage by Hydro’s industrial customers.<sup>16</sup>  
14 This amount effectively represents an accumulation of savings over the period that  
15 resulted from Hydro’s actual fuel costs at Holyrood being less than the forecast fuel  
16 costs reflected in Hydro’s base rates which were approved by the Board in 2007.

17  
18 **B.2 Prior Dealings with the RSP Surplus**  
19 The mismatch between Hydro’s actual and forecast fuel costs which commenced in  
20 2007, has been the subject of a variety of legal, regulatory and Provincial Government  
21 actions.

---

<sup>16</sup> The amount of the RSP surplus as at August 31, 2013, was approximately \$161.6 million (see Order No. P.U. 9 (2014)). Based on directions contained in Orders in Council OC2013-089 and OC2013-090 (as amended by OC2013-207 and OC2013-208, respectively), the allocation of the RSP surplus was \$112.6 million to Newfoundland Power and \$49 million to Hydro’s Island Industrial customers.

1 In Order Nos. P.U. 34 (2007) and P.U. 37 (2008), the Board approved Hydro's rates to  
2 its industrial customers on an interim basis until the mismatch between Hydro's actual  
3 and forecast fuel cost was resolved. In Order No. P.U. 6 (2009), the Board directed  
4 Hydro to finalize rates for its industrial customers. In Order No. P.U. 25 (2010), the  
5 Board rendered a decision on a preliminary matter associated with Hydro's application  
6 to finalize its industrial rates. Order No. P.U. 25 (2010) was set aside by the  
7 Newfoundland and Labrador Court of Appeal and remitted to the Board for  
8 determination on its merits.<sup>17</sup>

9  
10 The filing of a Hydro general rate application which would have resolved the mismatch  
11 between Hydro's actual and forecast fuel costs was delayed by Provincial Government  
12 actions. In 2011, the Provincial Government issued an Order in Council which, in effect,  
13 directed the Board to defer consideration of all matters relating to Hydro's industrial  
14 customers' rates until a Hydro general rate application was filed before year end.<sup>18</sup> The  
15 filing date for this general rate application, and consideration of matters relating to  
16 Hydro's industrial customers' rates by the Board, would be subsequently deferred on  
17 multiple occasions by further Orders in Council.<sup>19</sup>

18  
19 In 2013, the Provincial Government issued additional Orders in Council which  
20 specifically addressed the balances which had accrued in Hydro's RSP as a result of

---

<sup>17</sup> See *Newfoundland and Labrador Hydro v. Newfoundland and Labrador (Board of Commissioners of Public Utilities)*, Newfoundland and Labrador Court of Appeal, June 19, 2012, 2012 NLCA 38.

<sup>18</sup> See OC2011-115 and OC2011-116, April 19, 2011.

<sup>19</sup> See OC2012-162, June 28, 2012, which directed the filing by July 16, 2012; OC2012-175, July 16, 2012, which directed the filing by December 31, 2012; OC2012-330, December 28, 2012, which directed the filing by February 28, 2013; OC2013-048, March 7, 2013, which directed the filing by March 31, 2013; and OC2013-083, March 26, 2013, which directed the filing by April 15, 2013.

1 fuel cost differences related to the reduced industrial customer electricity usage.<sup>20</sup>  
2 Amongst other things, these Orders in Council directed, in effect, that \$49 million of  
3 these balances be credited towards Hydro's industrial customers' rates with the  
4 remainder to be credited to Newfoundland Power's Rate Stabilization Plan.<sup>21</sup>  
5  
6 The 2013 Orders in Council required Hydro to file, during its general rate application  
7 process, a refund plan to deal with the disposition of the RSP surplus.<sup>22</sup> In its 2013  
8 general rate application filed on July 30, 2013, Hydro indicated that it would file an RSP  
9 surplus refund plan as part of the process. By the time Hydro filed its amended 2013  
10 general rate application in November 2014, an appeal was outstanding in relation to  
11 disposition of the RSP surplus.<sup>23</sup> In the result, the RSP surplus refund was not dealt  
12 with as part of Hydro's 2013 general rate application.  
13  
14 In Order No. P.U. 9 (2014), the Board made a preliminary determination that all  
15 ratepayers in the province, other than industrial customers (and not just Newfoundland

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<sup>20</sup> See OC2013-089, April 4, 2013, as amended by OC2013-207, July 16, 2013.

<sup>21</sup> The amount of the credit balance segregated into what is sometimes referred to in Orders in Council as Newfoundland Power's Rate Stabilization Plan was, at August 31, 2013, approximately \$112.6 million (see Order No. P.U. 9 (2014), page 2, lines 37-42). Under the rules applicable to Hydro's RSP, this balance accrues interest at Hydro's weighted average cost of capital.

<sup>22</sup> The Orders in Council required the refunds to be "...direct payments or rebates..." and "...not be in the form of an electricity rate adjustment".

<sup>23</sup> In Hydro's Rate Stabilization Plan evidence filed in July 2013, it was indicated that "...during its GRA process Hydro, after consultation with NP and the Consumer Advocate, will file with the Board an NP RSP Surplus refund plan which will recommend a methodology to be used in refunding this amount. The disposition of the NP RSP Surplus will be addressed by separate application during Hydro's GRA process". See *Rate Stabilization Plan Evidence, Newfoundland and Labrador Hydro, July 2013*, page 7, lines 4-7. In October 2013, Hydro filed an application with the Board for approval of the RSP rules and refunds to Newfoundland Power and Hydro rural customers. This application resulted in Order No. P.U. 9 (2014). By the time of the filing of Hydro's *2013 General Rate Application (Amended)* in November 2014, it was indicated that Hydro was "...currently appealing the Board's ruling (i.e., Order No. P.U. 9 (2014)) regarding the disposition of the Newfoundland Power RSP surplus". See Letter to the Board dated November 10, 2014, Hydro's *2013 General Rate Application (Amended)*.

1 Power and Hydro's rural customers on the Island Interconnected system), were eligible  
2 to receive refunds from the RSP surplus. Order No. P.U. 9 (2014) was quashed by the  
3 Newfoundland and Labrador Court of Appeal.<sup>24</sup> The Court of Appeal determined that  
4 refunds in the form of a rebate were to be made only to Newfoundland Power's  
5 customers and Hydro's rural Island Interconnected system customers, with other  
6 matters relating to the RSP surplus being remitted to the Board for its consideration.

7

### 8 **B.3 Development of the RSP Surplus Refund Plan**

9 In Order No. P.U. 9 (2014), the Board indicated it expected that Hydro, Newfoundland  
10 Power and the Consumer Advocate would work jointly to determine a reasonable and  
11 appropriate approach in relation to the refund consistent with the Order in Council and  
12 file a consensus proposal with the Board for its consideration.<sup>25</sup>

13

14 In June 2015, Newfoundland Power and Hydro met with Board staff to discuss the  
15 implications of the Court of Appeal decision concerning Order No. P.U. 9 (2014).

16 Following those discussions, Newfoundland Power developed a refund proposal for the  
17 consideration of Hydro, Board staff and the Consumer Advocate.

18

19 On January 8, 2016, Newfoundland Power provided the draft Plan for evaluation and  
20 comments by Hydro and the Consumer Advocate. In February 2016, this draft, with  
21 modifications, was agreed among Newfoundland Power, Hydro and the Consumer

---

<sup>24</sup> *The Consumer Advocate v. the Board of Commissioners of Public Utilities*, Newfoundland and Labrador Court of Appeal, May 6, 2015, 2015 NLCA 24.

<sup>25</sup> Order No. P.U. 9 (2014), page 11, lines 39-42.

- 1 Advocate to reflect a reasonable and appropriate approach consistent with the direction
- 2 of the Provincial Government.

1 **C. THE RSP SURPLUS REFUND PLAN**

2 **C.1 Primary Plan Elements**

3 **C.1.1 Eligibility**

4 Each customer of Newfoundland Power who received, and paid for, electrical service  
5 during the Refund Period is entitled to a refund under the terms of the Plan.

6

7 **C.1.2 Refund Amount and Payment**

8 The refund amount will be calculated for each account by multiplying the electricity  
9 usage (in kWhs), reflected on all electric bills issued in the Refund Period, by the refund  
10 rate (cents/kWh).<sup>26</sup> The refund for each account will first be credited against any  
11 outstanding balance and the remainder paid by cheque to the customer.

12

13 **C.1.3 Taxes**

14 It appears that harmonized sales tax (“HST”) will be applicable to refunds paid under the  
15 Plan.<sup>27</sup> Newfoundland Power will seek formal confirmation of the applicability of HST to  
16 refunds under the Plan following Board approval of the Plan.<sup>28</sup>

17

18 In 2011, the Provincial Government implemented a residential energy rebate (the  
19 “RER”). The RER provided a rebate to electricity customers equivalent to the 8%  
20 provincial component of the HST paid in relation to the electricity charges on their bills.

---

<sup>26</sup> The preliminary estimate of the refund rate is 0.363 cents per kWh. This is based on a forecast October 31, 2016 utility surplus balance.

<sup>27</sup> On July 25, 2014, the Canada Revenue Agency (the “CRA”) provided Hydro with an interpretation which indicated that the provision of refunds based on actual customer consumption and billings during the Refund Period would permit Hydro to provide a refund or credit of HST previously charged to or paid by its customers.

<sup>28</sup> This formal confirmation is required by Newfoundland Power to ensure that the CRA interpretation is based upon the terms of the Plan actually being implemented.

1 The RER was effective on all electricity bills issued on or after October 1, 2011.<sup>29</sup>  
2 Newfoundland Power will seek formal confirmation of the applicability of RER recoveries  
3 in determining refunds made under the Plan following Board approval of the Plan.<sup>30</sup>  
4

## 5 **C.2 Communications with Customers**

6 Communications with customers regarding the refund process will commence following  
7 approval of the Plan by the Board. Initial customer communications will target a general  
8 understanding of the refund process and anticipated timelines. Communications are  
9 expected to include bill inserts, electronic mail, website materials, social media and print  
10 advertising.

11  
12 Over time, the focus of customer communications will shift to former customers who  
13 have not yet contacted the Company. This will be accomplished by a variety of  
14 channels. The duration and scope of this effort will be adjusted based on ongoing  
15 results.

16  
17 It is expected the Plan will close approximately 24 months after Board approval. Before  
18 the Plan is closed, the Company will provide notice to the public. The timing of the  
19 closeout of the Plan will depend on an assessment which includes the number of former  
20 customers who have not yet received a refund and the estimated cost of continued  
21 outreach.

---

<sup>29</sup> The RER was discontinued effective July 1, 2015.

<sup>30</sup> Currently, it is not clear that the Provincial Government intends to recover the portion of the RER attributable to customer refunds made under the Plan. If recovery of the RER is required, the total taxes refunded to customers under the Plan will be reduced by 8% for the period October 1, 2011 through August 31, 2013.

### 1 **C.3 Recovery of Plan Administration Costs**

2 In administering the Plan, Newfoundland Power will incur costs incremental to its normal  
3 operating costs. These one-time incremental costs will include such items as  
4 information technology programming costs, additional customer service costs,  
5 advertising costs and third party banking costs.<sup>31</sup>

6  
7 The estimated incremental Newfoundland Power costs to administer the Plan are  
8 shown in Exhibit 3.<sup>32</sup>

9  
10 The one-time costs of administering the Plan have never been considered in the  
11 establishment of Newfoundland Power's customer rates. Accordingly, it is reasonable  
12 that provision be made to permit Newfoundland Power to recover the incremental costs  
13 of administering the Plan. This is also consistent with the notion that Newfoundland  
14 Power should neither benefit nor lose from the administration of a plan to administer  
15 Hydro's RSP surplus.<sup>33</sup>

16  
17 In Newfoundland Power's *2016/2017 General Rate Application*, it was, in effect, agreed  
18 that the benefit of any recoveries of amounts written off as a bad debt prior to 2016

---

<sup>31</sup> For example, Newfoundland Power's existing billing equipment will be used to send letters to customers pertaining to the refund. However, the cost of this equipment will not be considered incremental. Overtime costs associated with existing customer service staff answering customer calls will be considered incremental to existing operations. The terms of the Plan provide that Newfoundland Power will be reimbursed from the RSP surplus on a quarterly basis for its incremental costs of administering the Plan.

<sup>32</sup> Given the extraordinary nature of the customer refund process, Newfoundland Power has limited experience upon which to estimate incremental costs of Plan administration. For example, incremental customer service costs are based, in part, upon recent large scale power outage experience (see footnote 40).

<sup>33</sup> See footnote 15.

1 made by Newfoundland Power in administration of the Plan would be credited to  
2 customers.<sup>34</sup> Newfoundland Power proposes to do this by offsetting any such  
3 recoveries against quarterly billings to Hydro of incremental costs incurred in Plan  
4 administration.<sup>35</sup>

---

<sup>34</sup> See Newfoundland Power's *2016/2017 General Rate Application, Settlement Agreement*, page 4, Section 21.

<sup>35</sup> Section 5.1 of the Plan provides that the costs incurred to administer the Plan shall be funded by amounts in Hydro's RSP. Section 5.2(b) states that Newfoundland Power should provide Hydro with quarterly accounts indicating the costs incurred in administering the Plan.

1 **D. NEWFOUNDLAND POWER REFUND IMPLEMENTATION**

2 **D.1 Addressing Capacity and Automation Limitations**

3 ***D.1.1 General***

4 The refund process necessarily requires a certain level of capacity and degree of  
5 automation within the Company's processes. This is simply due to the large number of  
6 customers eligible for a refund and the volume of data used to calculate customer  
7 refunds. The Company does not currently possess the capacity and automated  
8 processes required to administer the refund. For this reason, certain modifications and  
9 enhancements are necessary to enable Newfoundland Power to administer the Plan.

10

11 *A pro forma* timeline associated with Newfoundland Power's administration of the Plan  
12 is shown in Exhibit 4.

13

14 ***D.1.2 Information Technology***

15 The refund will be accomplished primarily through modifications to the Company's CSS.  
16 These modifications will support the identification and qualification of eligible customers,  
17 processing of customer refunds and response to customer inquiries.

18

19 To enable the processing of refunds, specific information must be retrieved from the  
20 Company's archives and made available to the CSS.<sup>36</sup> This includes identification  
21 information, such as customer name and address on each monthly bill, as well as total

---

<sup>36</sup> For system performance purposes, the history of customer billing information maintained in the CSS is limited to the most recent 36 months. Older information is stored in a tape archive. The archived information includes records of individual customer billing transactions and data.

1 electricity consumption (kWh). This information will be used to calculate actual  
2 customer refunds.

3  
4 The Company's website and interactive voice response system will be modified to  
5 facilitate self-serve inquiries.<sup>37</sup> These modifications will allow the customer to view, or  
6 hear, the amount of their refund.

7  
8 Modifications to the Company's Microsoft Great Plains financial system are also  
9 necessary to accommodate the high volume of transactional information and the  
10 transfer of information to the bank that will be issuing refund cheques.<sup>38</sup>

11

### 12 ***D.1.3 Customer Service Staff and Contact Centre***

13 The refund process will have incremental impacts on the Company's customer service  
14 staffing requirements and its contact centre.<sup>39</sup> Modifications to the contact centre and  
15 temporary hiring of customer service staff will be required to address these impacts.

---

<sup>37</sup> To accommodate the additional call volume, Newfoundland Power will use a segment of telephone line capacity that is normally reserved for peak call volumes related to service interruptions. The total telephone line capacity to accommodate outage-related calls will remain unchanged; however, a larger portion of that total capacity will be used to accommodate expected increased RSP inquiries.

<sup>38</sup> Refund amounts are expected to typically exceed a customer's average monthly bill amount. In Newfoundland Power's experience, customers prefer to have material credit balances refunded rather than carried on their account. In addition, Newfoundland Power has no practical means to accomplish a high volume of electronic funds transfers to its customers. For these reasons, payment by cheque was determined to be the most reasonable and practical approach to effect refunds.

<sup>39</sup> The Company anticipates that customer service staff requirements will increase from normal levels and will vary between 6 and 28 additional full time equivalents over a period of 8 months. There will also be impacts in other areas such as Finance and Information Technology.

1 Because the scope of the refund process is unprecedented for Newfoundland Power, it  
2 is difficult to anticipate precisely the requirement for additional customer service staff.<sup>40</sup>  
3  
4 Newfoundland Power expects to meet additional staffing requirements using a  
5 combination of existing customer service staff and new temporary hires. Due to the  
6 specialized nature and scale of the RSP surplus refund, training will be required for all  
7 Newfoundland Power customer service staff, both new and existing.<sup>41</sup> It is also possible  
8 that contact centre hours will be extended to address heightened call volumes.

9  
10 The contact centre can accommodate some of the increased capacity associated with  
11 the RSP refund process. During periods of peak staffing requirements, however, the  
12 capacity of the contact centre will be exceeded. To address this capacity issue, the  
13 Company plans to temporarily convert an existing training facility into a call centre.

## 14 15 **D.2. Making Refunds to Customers**

### 16 ***D.2.1 Calculation of Refund Amount Owed to Customers***

17 Once refund amounts have been calculated for each account which existed during the  
18 Refund Period, the refund will be linked to the customer whose name appeared on the  
19 bill. Where a customer owns multiple accounts, refund amounts for each account will  
20 be consolidated into a single payment to the customer.

---

<sup>40</sup> Newfoundland Power has estimated its increased customer contact centre staff requirements based on recent experience with large scale power outages during Hurricanes Igor and Leslie as well as the January 2013 and 2014 power outages.

<sup>41</sup> Specific training requirements will be dictated by the experience of individual staff. Newfoundland Power estimates that existing staff will require approximately 1 day of training as compared to 8 days of training for new employees.

1 The amount of the refund paid in respect of each account will be determined by  
2 deducting any outstanding account balance, including existing arrears, from the refund.  
3 No refund will be payable on an account if the outstanding balance exceeds the refund  
4 applicable to the account. Other forms of payments of refunds can be agreed between  
5 the Company and customers.

6

### 7 ***D.2.2 Issuing Refunds to Customers***

8 Newfoundland Power will coordinate with Hydro to determine a date for the issuance of  
9 the first, and largest, round of refunds. On that date, refunds are expected to be issued  
10 to all eligible, existing customers of Newfoundland Power, as well as former customers  
11 who have self-identified and had their eligibility confirmed. Newfoundland Power  
12 estimates that the initial round of refunds will address more than 85% of the total refund  
13 owing to customers.<sup>42</sup>

14

15 Following the initial round of refunds, Newfoundland Power will continue to promote the  
16 Plan in an effort to inform former customers of eligibility for a refund. Subsequent  
17 rounds of refunds will be carried out on a periodic basis and will allow time for

---

<sup>42</sup> This is an estimate that assumes the initial refund payment will be made in November 2016, in respect of (i) all active customer accounts, (ii) all inactive customer accounts for which an active customer can be identified and (iii) a number of inactive customers who self-identify to Newfoundland Power. The refund calculation process requires exclusive access to CSS. For this reason, it is necessary to schedule the refund calculation process on a weekend, when customer inquiry, bill processing and other normal CSS activities are not being performed. The initial refund calculations will be processed by CSS on the first Saturday of the month in which the initial round of refunds occurs.

1 confirmation of customer identity and eligibility and coordination with Hydro and the  
2 bank. Scheduling will also balance timeliness with cost effectiveness and practicality.<sup>43</sup>

3

### 4 **D.3 Banking and Financial Matters**

5 Newfoundland Power will establish a bank account for purposes of facilitating refunds to  
6 customers. Ten days prior to the initial round of refunds, Newfoundland Power will  
7 request that Hydro transfer sufficient funds to permit the Company to issue refunds to all  
8 customers who are scheduled to receive their refunds in the initial round. A similar  
9 process will be followed for subsequent rounds of refunds.

10

11 The Plan provides that Hydro will transfer the funds to Newfoundland Power no later  
12 than two business days prior to the scheduled refund payment date. In addition,  
13 Newfoundland Power will provide Hydro with quarterly accounts indicating its costs  
14 incurred in administering the Plan, and Hydro will reimburse the Company within 30  
15 days.<sup>44</sup>

16

17 The refund process outlined in the Plan will require the issuance of a large number of  
18 cheques. More than 170,000 cheques are expected to be issued during the initial round  
19 of refunds. Newfoundland Power does not have the capacity to produce this number of

---

<sup>43</sup> Multiple rounds of refunds will tend to increase administration costs due to a need to incur overtime labour costs. In addition, the additional use of staff resources will impact other Newfoundland Power operations.

<sup>44</sup> Finance costs associated with the refund are anticipated to total approximately \$570,000. These costs include cheque production (\$240,000), fraud protection and other banking fees (\$100,000), postage costs (\$200,000) and Company finance staff (\$30,000).

1 cheques.<sup>45</sup> For that reason, production of refund cheques will be contracted to a  
2 chartered bank.<sup>46</sup>

3

#### 4 **D.4 Closing the Plan**

5 It is expected that the Plan will be closed to new refund claims 24 months following  
6 Board approval. Any refund claims that are unresolved as of the Plan closing date due  
7 to inaction, or failure of the customer to provide required documentation, will be refused.  
8 Any refund claims that are unresolved pending action or consideration by Newfoundland  
9 Power will be processed.

10

11 Newfoundland Power expects there will be a minimal amount of undistributed funds  
12 remaining at Plan closure. This is because the Company will have only requested funds  
13 for those customers who were identified and confirmed as eligible.<sup>47</sup> It is expected that  
14 Hydro's RSP will continue to hold any amounts associated with refunds due to  
15 customers who could not be identified in the refund process.

---

<sup>45</sup> Cheque volumes for subsequent payment dates will vary, but are still expected to exceed Newfoundland Power's capacity to produce cheques in-house. Newfoundland Power typically produces an average of 400 cheques per month.

<sup>46</sup> The bank will provide arrangements for the production and mailing of refund cheques. This arrangement will continue until such time as Newfoundland Power is able to manage cheque production and mailing internally.

<sup>47</sup> It is anticipated that there will be some incidence of returned mail and uncashed cheques. Where a returned or uncashed cheque relates to an active customer, the refund amount will be credited to the customer's account. Where a returned or uncashed cheque relates to an inactive customer, the Company will attempt to contact the customer. Any balance remaining following closure of the Plan will be transferred to the RSP.

- 1 Newfoundland Power will provide a final report to the Board once the Plan is closed.
- 2 Reporting on the status of the Plan will also be included in the Company's Quarterly
- 3 Regulatory Reports throughout the refund process.

## Estimated RSP Surplus Calculations

**Table 1**  
**Estimated Aggregate Net Customer Refund**  
**Newfoundland Power and Hydro**  
**at October 31, 2016**  
**(\$000s)**

Forecast RSP Surplus balance October 31, 2016 <sup>1</sup>	\$141,666
Estimated utilities' cost to administer refunds <sup>2</sup>	3,500
	<b>\$138,166</b>
Aggregate net refund to customers	<b>\$138,166</b>

**Table 2**  
**Estimated Refund Rate**  
**at October 31, 2016**

Aggregate net refund to customers (\$000s)	<b>\$138,166</b>
Total kWhs billed January 2007 to August 2013 <sup>3</sup>	
Newfoundland Power	35,430,721,000
Hydro	<u>2,582,416,000</u>
	38,013,137,000
Estimated refund rate (¢/kWh)	<b>0.363</b>

1

Estimated October 31, 2016 balance of Hydro's RSP Utility Surplus owed to Island Interconnected customers

	<b>Interest*</b>	<b>Balance</b>
<b>December Year End 2015 Balance**</b>		<b>\$133,350,561</b>
January***	809,105	134,159,666
February***	814,014	134,973,680
March***	818,953	135,792,633
April	823,922	136,616,555
May	828,921	137,445,476
June	833,950	138,279,426
July	839,010	139,118,436
Aug	844,101	139,962,537
September	849,223	140,811,760
October	854,375	<b>\$141,666,135</b>

\*Interest Rate (Based on 2007 test year) 7.53% per annum  
0.60675% per month

\*\*From December 2015 Hydro RSP Report

\*\*\*Actual as per Hydro Quarterly Regulatory Report, March 31, 2016, Page D13

2

Assumes approximately \$2.5 million for NP and \$1.0 million for NLH.

3

Island Interconnected System Retail Sales (2007 to August 2013)

	<b>NP</b>	<b>NLH (Island Interconnected)*</b>	
	<i>(MWh)</i>	<i>(MWh)</i>	
2007	5,040,357	363,689	
2008	5,115,034	382,219	
2009	5,240,620	374,705	
2010	5,202,210	372,931	
2011	5,421,942	392,508	
2012	5,436,737	406,755	
Jan - Aug 2013**	3,973,821	289,609	
<b>Total</b>	<b>35,430,721</b>	<b>2,582,416</b>	<b>38,013,137</b>
	<b>(93.2%)</b>	<b>(6.8%)</b>	<b>(100%)</b>

\* From Hydro Actual COS Studies (Response to Request for Information IC-NLH-002 (Hydro's 2013 General Rate Application))

\*\* Hydro's IIS Rural Customer Sales estimated for January to August 2013.

**Newfoundland & Labrador Hydro RSP Surplus:  
Newfoundland Power Customer Refund Plan**

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**NEWFOUNDLAND & LABRADOR HYDRO RSP SURPLUS:  
NEWFOUNDLAND POWER CUSTOMER REFUND PLAN**

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**WHENEVER. WHEREVER.**  
**We'll be there.**



**NEWFOUNDLAND & LABRADOR HYDRO RSP SURPLUS:  
NEWFOUNDLAND POWER CUSTOMER REFUND PLAN**

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## SECTION 1 INTERPRETATION

### 1.1 Definitions

In this Newfoundland Power Customer Refund Plan, the following definitions shall apply:

- (a) “Act” means *The Public Utilities Act*, RSNL 1990, Ch. P-47, as amended from time to time.
- (b) “Basic Refund Amount” means an amount calculated in accordance with Section 2.2 and Schedule 1.
- (c) “Board” means the Board of Commissioners of Public Utilities of Newfoundland and Labrador.
- (d) “Company” means Newfoundland Power Inc.
- (e) “Customer” means any person, corporation, or organization that accepted or agreed to accept Service and actually received Service from the Company in the period from January 1, 2007 to August 31, 2013.
- (f) “Designated Account” means an account of the Company maintained at a Bank in the City of St. John’s for the purposes of providing Refunds to Customers under the Plan.
- (g) “HST” means harmonized sales tax levied under the *Excise Tax Act (Canada)*.
- (h) “Hydro” means The Newfoundland and Labrador Hydro-Electric Corporation continued pursuant to the *Hydro Corporation Act*, SNL 2007, CL H-17 as amended.
- (i) “Payment Date” means a day agreed by the Company and Hydro upon which Refunds are to be paid by the Company to Customers.
- (j) “Plan” means this Newfoundland Power Customer Refund Plan.
- (k) “Refund” means an amount payable to a Customer pursuant to the Plan and includes the Basic Refund Amount and Taxes.
- (l) “RER Program” means the Residential Energy Rebate program established by *Newfoundland and Labrador Regulation 47/12*.
- (m) “RSP” means Hydro’s Rate Stabilization Plan as approved by the Board.

- (n) “Service” means electrical service provided by the Company in the period from January 1, 2007 to August 31, 2013 under rules and regulations approved by the Board pursuant to the Act.
- (o) “Taxes” means HST, less any rebate under the RER Program, paid by a Customer in respect of Service.

## **1.2 Interpretation**

- (a) Unless the context clearly requires otherwise, this Plan shall be interpreted such that:
  - (i) words importing persons include corporations and organizations; and
  - (ii) words importing the singular include the plural and *vice versa*.
- (b) The Plan shall be interpreted in a manner consistent with the Rules and Regulations governing the Company’s provision of electrical service as approved by the Board.
- (c) Any dispute concerning the interpretation of this Plan shall be determined:
  - (i) in the first instance, by the Company, acting reasonably; and
  - (ii) if required, by the Board whose decision shall be considered final.

## **SECTION 2 CUSTOMER REFUND ELIGIBILITY**

### **2.1 Customers Entitled to Refund**

Each Customer that (i) received Service during the period from January 1, 2007 to August 31, 2013, and (ii) paid for that Service is entitled to a Refund under the terms of the Plan.

### **2.2 Determining the Basic Refund Amount**

The Basic Refund Amount to which a Customer is entitled under the Plan shall be calculated in accordance with Schedule 1 to the Plan.

### **2.3 Taxes to be Included in Refund**

Taxes on the Basic Refund Amount that were paid by a Customer for Service will be included in that Customer’s Refund.

## **2.4 Informing Customers of the Plan**

- (a) The Company shall take reasonable steps to inform Customers of the terms of the Plan and their entitlement to receive Refunds thereunder.
- (b) For Customers who are no longer receiving electrical service from the Company, reasonable notice of the terms of the Plan may include amongst other things, public advertisements throughout Canada.

## **2.5 Proof of Eligibility**

- (a) The Company shall be entitled to request a Customer provide reasonable proof of that Customer's eligibility to receive a Refund under the Plan.
- (b) Should a Customer be delayed in the provision of reasonable proof of that Customer's eligibility to receive a refund under the Plan, that Customer shall not be entitled to (i) receive a Refund during the period of delay, or (ii) receive interest on a Refund for the period of delay.

## **2.6 Special Cases**

For Customers entitled to a Refund under the terms of the Plan that have died, have become legally incapacitated, or are bankrupt, the Company shall be entitled to pay the Refund to the Customer's estate, legal representative or trustee as appropriate. Payment of the Refund to such an estate, legal representative, or trustee, as the case may be, shall be conclusively considered to be payment of the Refund to the Customer.

# **SECTION 3 PAYMENT OF CUSTOMER REFUNDS**

## **3.1 Determination of Payment Date**

The Company and Hydro shall agree from time to time on a Payment Date or Payment Dates for payment of Refunds to Customers entitled to Refunds under the Plan.

## **3.2 Credit to Existing Balance**

The Company will be entitled to credit a Refund to which a Customer is entitled under the Plan against an existing outstanding balance owed by that Customer to the Company.

### **3.3 Payments by Cheque**

Any Refund, or portion of a Refund, following credit against an outstanding balance under Section 3.2 hereof, will be paid by cheque issued within 3 days of the Payment Date to the Customer entitled thereto.

### **3.4 Other Forms of Payment**

The Company may agree with its Customers to other forms of payment of a Refund.

## **SECTION 4 TRANSFERS FROM RSP**

### **4.1 Requests for Transfers from the RSP**

No later than 10 business days prior to a Payment Date, the Company shall request Hydro to transfer immediately available funds from the RSP to the Designated Account to permit the Company to provide Refunds to Customers on the Payment Date.

### **4.2 Taxes on Fund Transfer**

Transfers of funds from the RSP to the Designated Account made under Section 4.1, shall include appropriate Taxes.

### **4.3 Timing of Funds Transfer**

Upon receipt of a request made under Section 4.1, Hydro shall transfer immediately available funds from the RSP to the Designated Account no later than 2 business days before the Payment Date.

## **SECTION 5 PLAN ADMINISTRATION**

### **5.1 Plan Costs**

The Plan has been created to disburse amounts due to Customers as requested by Orders in Council *O.C. 2013-089 and O.C. 2013-207*. Both Refunds payable to Customers under the Plan and the costs incurred to administer the Plan shall be funded by amounts in the RSP.

## **5.2 Recovery of Plan Administration Costs**

- (a) The Company shall be entitled to recover its reasonable costs of administering the Plan from the RSP.
- (b) The Company shall provide Hydro with quarterly accounts indicating the costs incurred in administering the Plan.
- (c) Hydro shall reimburse the Company for costs of administering the Plan within 30 days of receipt of an account indicating the Company costs of administering the Plan for a quarter.

## **5.3 Liability**

The Company shall not be liable to any party for any reason whatsoever associated with the administration of the Plan associated with the good faith administration of the Plan.

## **5.4 Directions**

The Company may, by application to the Board, seek directions on any matter related to the administration of the Plan, amendments to the Plan, or any matter related to the provision of Refunds to Customers under the Plan.

## **SCHEDULE 1 CALCULATION OF BASIC REFUND AMOUNT**

1. The Basic Refund Amount for each Customer will be based on that Customer's kilowatt hour ("kWh") energy consumption. For each Customer, the Basic Refund Amount will be calculated by multiplying (i) the kWh Refund Rate by (ii) the Customer's kWh Usage.
2. The kWh Refund Rate (expressed in cents per kWh and calculated to the nearest 0.001) shall be calculated as follows:

$$(A-B) / C = D$$

Where:

A = the estimated balance of the Utility RSP Surplus in the Rate Stabilization Plan (in dollars) at the end of the month prior to the first Payment Date.

B = the estimated costs for the Utilities to administer and provide the Refund to each Customer.

C = the total energy usage (in kWhs) billed to all Newfoundland Power Customers and Hydro's Customers on the Island Interconnected System for the period of January 1, 2007 to August 31, 2013.

D = the kWh Refund Rate.

3. A Customer's kWh Usage shall be calculated as the sum of the kWh energy usage reflected on that Customer's electric bills (or, in the case of Street and Area Lighting Service, calculated in accordance with Section II (3) of the Company's Rate Stabilization Clause in effect) for the period of January 1, 2007 to August 31, 2013.
4. The Basic Refund Amount for each Customer (expressed in dollars to nearest \$0.01) shall be calculated as follows:

$$D \times E = F$$

Where:

D = the kWh Refund Rate.

E = the Customer's kWh Usage.

F = the Basic Refund Amount

**Newfoundland Power  
Estimated Incremental Plan Administration Costs**

**Newfoundland Power  
Estimated Incremental Plan  
Administration Costs**

Customer Service Costs	\$1,500,000
Banking	570,000
Advertising	250,000
CSS Modifications	110,000
Miscellaneous <sup>1</sup>	70,000
<b>TOTAL</b>	<b>\$2,500,000</b>

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<sup>1</sup> Includes expected costs associated with required outside legal advice and establishment of a temporary call centre.

**Newfoundland Power**  
***Pro Forma* Timeline for Plan Implementation**

**Newfoundland Power**  
***Pro Forma* Timeline for Plan Implementation**  
**(Months Following Board Approval)**

- 1 Month:** Initial communication with customers outlining Plan terms, expected timelines and information on refund process.
- 3 Months:** Provincial advertising campaign commences to inform eligible customers without current service account.
- 4-5 Months:** Initial round of refunds sent to customers.
- 6 Months:** Begin national advertising campaign to inform eligible customers outside of province without current service account.
- 6-24 Months:** Processing subsequent rounds of refunds.