

April 14, 2011

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

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Rate Stabilization Plan – Fuel Price Projection

By Order No. P.U. 40 (2003), the Board approved amendments to Hydro's Rate Stabilization Plan (RSP). The provisions of the RSP include an annual requirement that Hydro, by the 10th working day of April, report to the Board, Newfoundland Power and the Industrial Customers, Hydro's RSP Fuel Price Projection for Newfoundland Power. Please find enclosed an original and eight copies of Hydro's calculation of its RSP fuel rider, attached hereto as Schedule A, which has been prepared in the format set out in the RSP, as amended. The fuel rider becomes effective July 1st of each year.

By Order No. P.U. 11 (2008) and Order No. P.U. 22 (2009) the Board approved a modification to the calculation of the Newfoundland Power Fuel Price Projection such that the 2007 Test Year barrels of No. 6 fuel forecast to be consumed at the Holyrood Thermal Generating Station was reduced by 589,208 based on the reduction in forecast Island Industrial Customer load caused by the shutdown of one of the paper machines at Corner Brook Pulp and Paper (CBPP) and the shutdown of Abitibi Consolidated (Grand Falls).

As is shown on Schedule A, page 1 of 2, the estimated fuel rider for Newfoundland Power is 16.34 mills/kWh. This value is based upon a forecasted fuel price of \$103.10/bbl (\$Can) as shown on page 2 of the attached Schedule A. This forecasted fuel price reflects an increase of \$47.70/bbl (\$Can) over the 2007 Test Year and \$19.25/bbl (\$Can) over the price of fuel included in the fuel rider currently in effect.

Aside from the fuel rider calculation, Schedule A also indicates the rate for the March Balance of the RSP for Newfoundland Power as this also factors into the RSP Adjustment Rate effective July 1st, 2011.

In summary, the following table outlines the RSP rate, including the fuel rider, for Newfoundland Power to become effective July 1st, 2011. Based on this new rate, the 2011 increase in Hydro's overall rate to Newfoundland Power, including all RSP implications, is approximately 10%.

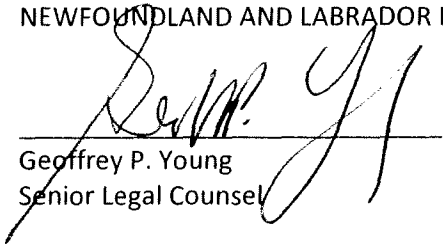
Newfoundland Power	Existing RSP Rate (mills/kWh)	New RSP Rate (mills/kWh)
March 31 st Balance	(7.69)	(7.03)
Fuel Rider	9.90	16.34
Total RSP Rate	2.21	9.31

At this time, Hydro is applying to the Board for approval of these rates to Newfoundland Power. The attached Schedule B (Utility) is to be implemented as of July 1st, 2011. The March RSP report will be filed in the near future for consideration in this Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Dean Porter – Poole Althouse
Thomas Johnson – Consumer Advocate

IN THE MATTER OF the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the *EPCA*) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the *Act*) as amended, and their subordinate regulations;

AND IN THE MATTER OF an Application by Newfoundland and Labrador Hydro for the approval, pursuant to Section 70 (1) of the *Act*, of the Rate Stabilization Plan component of the rates to be charged to Newfoundland Power.

TO: The Board of Commissioners of Public Utilities (the Board)

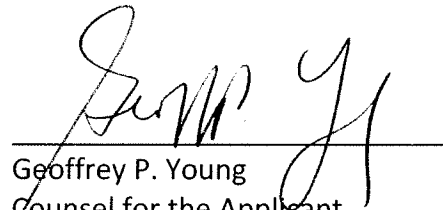
THE APPLICATION OF NEWFOUNDLAND AND LABRADOR HYDRO (Hydro) STATES THAT:

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act*, 2007, is a public utility within the meaning of the *Act* and is also subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Order No. P.U. 40 (2003) sets out the manner by which the Rate Stabilization Plan (RSP) is calculated and applied to the rates charged by Hydro to Newfoundland Power and to its Island Industrial Customers. Under that Order, Hydro is required to provide a Newfoundland Power fuel price projection to the Board, to Newfoundland Power and to Hydro's Industrial Customers by the tenth working day of April of each year.
3. In accordance with Order No. P.U. 40 (2003), the RSP is calculated using the assumptions as to fuel consumption that were approved by the Board for Hydro's 2007 Test Year and that were amended in Order No. P.U. 11 (2008) and Order No. P.U. 22 (2009) to adjust the 2007 Test Year barrels of No. 6 fuel forecast to be consumed at the Holyrood Thermal Generating Station to reflect the substantial reduction in load applicable to the shutdown of one of the paper machines at

Corner Brook Pulp and Paper and the shutdown of Abitibi Consolidated (Grand Falls).

4. Hydro hereby requests that the Board make an Order approving the RSP rate to be charged by Hydro to Newfoundland Power, as calculated in Schedule A and as set out in Schedule B to this application, to be effective for electrical consumption on or after July 1, 2011.

DATED AT St. John's in the Province of Newfoundland and Labrador this 14th day of April 2011.



Geoffrey P. Young
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
Telephone: (709) 737-1277
Facsimile: (709) 737-1782

IN THE MATTER OF the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the *EPCA*) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the *Act*) as amended, and their subordinate regulations;

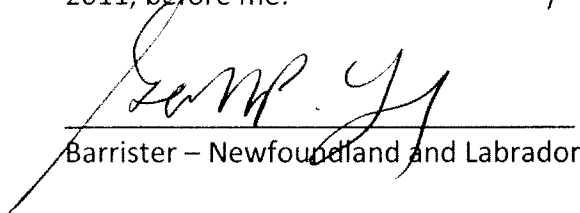
AND IN THE MATTER OF an Application by Newfoundland and Labrador Hydro for the approval, pursuant to Section 70 (1) of the Act, of the Rate Stabilization Plan component of the rates to be charged to Newfoundland Power.

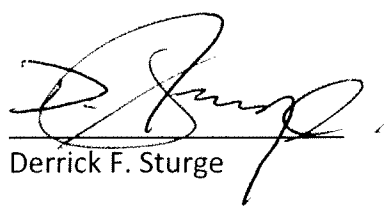
AFFIDAVIT

I, Derrick F. Sturge, Chartered Accountant, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice-President, Finance and Chief Financial Officer, of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.
2. I have read and understand the foregoing Application.
3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the)
Province of Newfoundland and)
Labrador this 14th day of April)
2011, before me:)


Barrister – Newfoundland and Labrador


Derrick F. Sturge

(DRAFT ORDER)
NEWFOUNDLAND AND LABRADOR
AN ORDER OF THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NO. P.U. __ (2011)

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

6
7 **AND**
8

9 **IN THE MATTER OF** an Application
10 by Newfoundland and Labrador Hydro (Hydro)
11 for the approval, pursuant to Section 70 (1) of the Act,
12 of the Rate Stabilization Plan component of the rates
13 to be charged to Newfoundland Power Inc.
14 (“Newfoundland Power”).

15
16
17 **WHEREAS** Hydro is a corporation continued and existing under the *Hydro Corporation Act*,
18 *2007*, is a public utility within the meaning of the *Act* and is also subject to the provisions of the
19 *EPCA*; and

20
21 **WHEREAS** on April 14, 2011 Hydro filed an application with supporting information seeking
22 approval of the Rate Stabilization Plan (RSP) components of the rates to be charged to
23 Newfoundland Power; and

24
25 **WHEREAS** Order No. P.U. 40 (2003) sets out the manner by which the RSP is calculated and
26 applied to the rates charged by Hydro to Newfoundland Power and to its Island Industrial
27 Customers; and

28
29 **WHEREAS** Order No. P.U. 11 (2008) approved a modification to the calculation of the fuel
30 rider to adjust the 2007 Test Year barrels of No. 6 fuel forecast to be consumed at the Holyrood
31 Thermal Generating Station to reflect the substantial reduction in load applicable to the
32 shutdown of one of the paper machines at Corner Brook Pulp and Paper; and

33
34 **WHEREAS** Order No. P.U. 22 (2009) approved a modification to the calculation of the fuel
35 rider to adjust the 2007 Test Year barrels of No. 6 fuel forecast to be consumed at the Holyrood
36 Thermal Generating Station to reflect the substantial reduction in load applicable to the
37 shutdown of Abitibi Consolidated (Grand Falls); and

1 **WHEREAS** on April 14, 2011, in accordance with Order No. P.U. 40 (2003), Hydro provided
2 written notice to the Board, to Newfoundland Power and to its Island Industrial Customers as to
3 the forecast fuel price change, the resulting fuel rider, and the RSP Rate to be applied to
4 Newfoundland Power’s rates, effective July 1, 2011; and

5
6 **WHEREAS** the Board has considered the application and the information and calculations
7 contained therein and is satisfied that the proposed forecast fuel variance, the resulting fuel rider
8 and the RSP rate to be applied to Newfoundland Power’s rates as well as the proposed changes
9 in the language of the RSP are in accordance with the methodology of the RSP previously
10 approved by the Board, as appropriately and reasonably modified in the circumstances.

11
12
13 **IT IS THEREFORE ORDERED THAT:**

14
15 1. The Board approves:

- 16
17 (i) the rates to be charged by Hydro to Newfoundland Power as set out in Schedule
18 “A” to this Order, to be effective for consumption on or after July 1, 2011; and
19 (ii) the proposed modifications to the fuel rider component of the Rate Stabilization
20 Plan.

21
22 2. Hydro shall pay the expenses of the Board incurred in connection with this matter.

23
24 **Dated** at St. John’s, Newfoundland and Labrador, this day of 2011.

Andrews Wells
Chair & Chief Executive Officer

Darlene Whalen, P. Eng.
Vice Chair

Dwanda Newman, LL.B.
Commissioner

G. Cheryl Blundon
Board Secretary

Schedule “A”

Order No. P. U. __ (2011)

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN FUEL PRICE PROJECTION RIDER
No. 6 0.7% Sulphur Fuel Price Projection
Utility Customer

Line

No	Customer Allocation	Amount	Comments
1	March Fuel Price Projection	\$ 103.10	From Page 2
2	2007 Test Year Fuel Forecast Price	\$ 55.40	
3	Forecast Fuel Price Variance	\$ 47.70	Line 1 - Line 2
4	2007 Test Year No. 6 Barrels Consumed	1,878,188	From Line 41
5	Forecast Fuel Variance	\$ 89,589,568	Line 3 x Line 4
6	Utility Customer Allocation Ratio for March	92.61%	From Line 8
7	Utility Customer Allocation	\$ 82,968,334	Line 5 x Line 6

Calculation of Customer Allocation		kWh	Percent of Total	Allocation of Rural	Total
8	12 months to date (Apr 2010-Mar 2011) Utility Sales	5,078,312,315	86.31%	6.30%	92.61%
9	Revised 12 months to date (Apr 2010-Mar 2011) Industrial Customer Sales	389,239,371			
10	12 months to date (Apr 2010-Mar 2011) Bulk Rural Energy	416,214,437	7.07%	-7.07%	0.00%
11	Total	<u>5,883,766,123</u>			

Calculation of Utility Customer RSP Rate Rate Rider		Amount	Comments
12	Utility Allocation March	\$ 82,968,334	From Line 7
13	12 months to date Utility Sales (kWh)	5,078,312,315	From Line 8
14	Fuel Projection Rider (mills per kWh)	16.34	Line 12/Line 13 x 1000
15	<u>March Balance</u>	\$ (42,261,827)	March RSP
16	Forecast Financing Costs	\$ (2,160,363)	From Line 38
17	Forecast Recovery to June 30	\$ 8,739,044	Lines 23 to 25
18	Total to be recovered	\$ (35,683,146)	Lines 15 to 17
19	12 months to date (Apr 2010-Mar 2011) Utility Sales	5,078,312,315	From Line 8
20	Balance Rate (mills per kWh)	(7.03)	Line 18/Line 19 x 1000
21	RSP Adjustment Rate (mills per kWh)	9.31	Line 14 + Line 20

**Utility Forecast Recovery
2010 - 2011**

2007 Test Year Weighted Average Cost of Capital per annum 7.529%
Nominal Financing Rate 7.281%

	Sales kWh	Financing Costs	Adjustment	Total To Date Balance
22	Balance Forward			\$ (42,261,827)
23	April	427,295,137	\$ (256,424)	\$ 3,285,900
24	May	401,920,242	(238,042)	3,090,767
25	June	307,201,210	(220,733)	2,362,377
26	July	284,509,525	(207,739)	1,999,128
27	August	288,189,386	(196,870)	2,024,985
28	September	295,451,337	(185,778)	2,076,011
29	October	366,350,041	(174,309)	2,574,186
30	November	459,440,750	(159,747)	3,228,295
31	December	511,755,498	(141,129)	3,595,889
32	January	575,393,531	(120,167)	4,043,046
33	February	581,186,284	(96,365)	4,083,749
34	March	579,619,374	(72,172)	4,072,739
35	April	427,295,137	(47,898)	3,002,422
36	May	401,920,242	(29,972)	2,824,123
37	June	307,201,210	(13,018)	2,158,573
38	Total	<u>\$ (2,160,363)</u>	<u>\$ 44,422,190</u>	0

2007 Test Year Barrels Adjusted for Reduction in Corner Brook Pulp and Paper Limited (CBPP) and Abitibi Consolidated (Grand Falls) Load

39	2007 Test Year Barrels of No. 6 Fuel forecast to be consumed at Holyrood	2,467,396
	Less: Reduction in Test Year Barrels of No. 6 Fuel approved in Board Order No. P.U. 11 (2008) to reflect reduction in CBPP load and Board Order No. P.U.22 (2009) to reflect a reduction in Abitibi Consolidated (Grand Falls) Test Year load.	<u>(589,208)</u>
41	Adjusted 2007 Test Year Barrels of No. 6 Fuel forecast to be consumed at Holyrood	<u>1,878,188</u>

NEWFOUNDLAND AND LABRADOR HYDRO
Fuel Price Projection
As at March 31, 2011

SCHEDULE A
Page 2 of 2

	\$/bbl
PIRA Forecast \$ US/bbl ⁽¹⁾	
July	107.25
August	110.50
September	114.05
October	116.00
November	111.15
December	111.55
January	99.85
February	99.85
March	99.85
April	99.85
May	99.85
June	99.85
Average \$US/bbl ⁽²⁾	105.80
NLH Test Year Contract Discount (\$US/bbl)	<u>(0.218)</u>
	\$105.58
Can\$/US\$ Noon Exchange Rate ⁽³⁾	<u>0.9766</u>
NLH Fuel Price Projection (\$Can/bbl) ⁽²⁾	<u>\$103.10</u>

Notes:

- (1) The forecast for July to December is based on the PIRA monthly short-term forecast dated March 29, 2011. The forecast for January to June is based on the PIRA annual long-term forecast dated April 4, 2011.
- (2) Price per barrel is rounded to the nearest \$0.05.
- (3) Monthly average of the Bank of Canada Can\$/US\$ Noon Exchange Rate for the month of March 2011, rounded to 4 decimal places.

UTILITY (INTERIM)

Availability:

This rate is applicable to service to Newfoundland Power (NP).

Definitions:

"Billing Demand"

In the Months of January through March, billing demand shall be the greater of:

- (a) the highest Native Load less the Generation 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, plus the Weather Adjustment True-up; and
- (b) the Minimum Billing Demand.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	80,104
Thermal Generation Credit	<u>37,826</u>
Total Generation Credit	117,930

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.

UTILITY (INTERIM) (continued)

“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.

“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.

“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; and
- (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, 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.

UTILITY (INTERIM) (continued)

Monthly Rates:

Billing Demand Charge:

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

\$4.00 per kW of billing demand

Energy Charge:

First 250,000,000 kilowatt-hours* @ 3.246 ¢ per kWh
All excess kilowatt-hours* @ 8.805 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by
Corner Brook Pulp and Paper Limited* @ 0.841 ¢ per kWh

RSP Adjustment:

Current Plan..... @ (0.703) ¢ per kWh
Fuel Rider..... @ 1.634 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ 0.931 ¢ 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.



UTILITY (INTERIM) (continued)

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 NP's actual Maximum Native Load.
- (b) Weather adjustment shall be derived from Hydro's general NP native peak demand forecasting 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 Environment Canada's weather station data for the St. John's, Gander, and Stephenville airports. NP's regional customer counts 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, Environment Canada's weather data 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 19 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 Environment Canada weather data, 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.