IN THE MATTER OF the Electrical Power Control Act, 1994, SNL 1994, Chapter E-5.1 (the “EPCA”) and the Public Utilities Act, RSNL 1990, Chapter P-47 (the “Act”) and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro for approval of an amendment to the Rate Stabilization Plan Rules.

WHEREAS Newfoundland and Labrador Hydro (“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 EPCA; and

WHEREAS in Board Order No. P.U. 40(2003), the Board set 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; and

WHEREAS the RSP rules require that Hydro report the amount of the forecast fuel price change and details of the resulting fuel rider for the Newfoundland Power Price Projection to Newfoundland Power Inc., the Industrial Customers and the Board by the 10th working day of April each year; and

WHEREAS the RSP rules also require that the fuel rider be computed based upon the average of the March, month-end, PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following July to December, and the most recent long-term PIRA Energy Group average annual forecast for No. 6 fuel Prices at New York Harbour for the following January to June: and

WHEREAS PIRA has made available a monthly forecast for the period January to June 2015 and Hydro proposes to calculate the fuel rider on the monthly forecast for 2015; and

WHEREAS on May 28, 2014 Hydro filed an application requesting approval of an amendment to the RSP rules to allow the monthly forecast, if available, to be used to calculate the fuel rider; and
WHEREAS the Application was circulated to Newfoundland Power Inc. ("Newfoundland Power"), the Consumer Advocate, the Industrial Customer Group, Vale Newfoundland and Labrador Limited, and Praxair Canada Inc.; and

WHEREAS Newfoundland Power and the Board issued Requests for Information which were answered by Hydro on June 5, 2014; and

WHEREAS on June 9, 2014 Newfoundland Power stated that the proposed change in the calculation of the fuel forecast does not disadvantage customers and that it was largely indifferent to whether the Board approved the change in the RSP rules or required Hydro to file under the existing rules; and

WHEREAS Hydro submits that computation of the fuel rider reflecting the average of the forecast monthly prices provides an improved forecast for establishing the fuel rider than the use of the annual average as required under the RSP rules and would be preferable, when available, for establishing the NP fuel rider; and

WHEREAS the Board has considered the application and the information filed and finds that the proposed amendment to the RSP rules does not disadvantage customers and may provide a more accurate forecast; and

WHEREAS the Board finds a single source of data is appropriate to be used in approved methodology and finds that the average monthly forecast for No. 6 fuel prices at New York Harbour for January to June of the subsequent period is an appropriate source.

IT IS THEREFORE ORDERED THAT:

1. The Rate Stabilization Plan rules attached hereto as Schedule “A” are approved on an interim basis.

2. Hydro shall pay the expenses of the Board incurred in connection with this matter.
DATED at St. John’s, Newfoundland and Labrador, this 11th day of June 2014.

___________________________________
Andy Wells
Chair and Chief Executive Officer

____________________________________
Darlene Whalen, P.Eng.
Vice-Chair

___________________________________
Dwanda Newman, LL.B.
Commissioner

___________________________________
James Oxford
Commissioner

___________________________________
Cheryl Blundon
Board Secretary
NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN (INTERIM)

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro) is established for Hydro’s Utility customer, Newfoundland Power, and Island Industrial customers to smooth rate impacts for variations between actual results and Test Year Cost of Service estimates for:

- hydraulic production;
- No. 6 fuel cost used at Hydro’s Holyrood generating station;
- customer load (Utility and Island Industrial); and
- rural rates.

The formulae used to calculate the Plan’s activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

Section A: Hydraulic Production Variation

1. Activity:
   Actual monthly production is compared with the Test Year Cost of Service Study in accordance with the following formula:

   \[ \{(A - B) \div C\} \times D \]

   Where:

   - \( A \) = Test Year Cost of Service Net Hydraulic Production (kWh)
   - \( B \) = Actual Net Hydraulic Production (kWh)
   - \( C \) = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)
   - \( D \) = Monthly Test Year Cost of Service No. 6 Fuel Cost ($Can /bbl.)

2. Financing:
   Each month, financing charges, using Hydro’s approved Test Year weighted average cost of capital, will be calculated on the balance.

3. Hydraulic Variation Customer Assignment:
   Customer assignment of hydraulic variations will be performed annually as follows:

   \[ (E \times 25\%) + F \]

   Where:

   - \( E \) = Hydraulic Variation Account Balance as of December 31, excluding financing charges
   - \( F \) = Financing charges accumulated to December 31
The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.

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

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

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

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

1. Activity

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

\[(G - D) \times H\]

Where:

\[D = \text{Monthly Test Year Cost of Service No. 6 Fuel Cost ($Can / bbl.)}\]
\[G = \text{Monthly Actual Average No. 6 Fuel Cost ($Can / bbl.)}\]
\[H = \text{Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)}\]

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:

\[(I - J) \times ((D / C) - K)\]
Where:

- C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)
- D = Monthly Test Year Cost of Service No. 6 Fuel Cost ($Can /bbl.)
- I = Actual Sales, by customer class (kWh)
- J = Test Year Cost of Service Sales, by customer class (kWh)
- K = Firm energy rate, by customer class

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

**a)** Newfoundland Power Rate Change Impacts:

This component is calculated for Hydro’s rural customers whose rates are directly or indirectly impacted by Newfoundland Power’s rate changes, with the following formula:

\[(M - N) \times O\]

Where:

- M = Cost of Service rate \(^1\)
- N = Existing rate
- O = Actual Units (kWh, bills, billing demand)

**b)** Rural Labrador Interconnected Automatic Rate Adjustments:

\(^1\) Hydro’s schedule of rates for its rural customers not affected by the December 6\(^{th}\), 2006 Government directive.

- For customers affected by the December 6\(^{th}\), 2006 Government directive, the Cost of Service rate equals the phased-in 2007 Forecast Cost of Service Rates for diesel rate classes 1.2D, 2.1D and 2.2D.

- No Rural Rate Alternation will arise from the phase-in of 2007 Forecast Cost of Service rates for the customers affected by the December 6\(^{th}\), 2006 Government directive.
This component reflects the impact of the automatic rate adjustments for Hydro’s rural customers on the Labrador Interconnected system, which arise from the phase-in of the application of the credit from secondary energy sales to CFB Goose Bay to the rural deficit.

Monthly adjustments will be subject to revision when a new Test Year Cost of Service is approved by the Public Utilities Board for Hydro. The amount of the automatic rate adjustment is ($98,295.)

Each month, the load variation will be held in a separate account in the Plan, until its disposition is ordered by the Board of Commissioners of Public Utilities.

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

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

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

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

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

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

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

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

   Where:

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

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

   The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 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 purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

   \[\{(X - T) \times Y\} - V\} \times W\]
Where:

\[ T = \text{Hydro's average Test Year contract discount (US $/bbl)} \]
\[ V = \text{average Test Year Cost of Service purchase price for No. 6 Fuel ($Can /bbl.)} \]
\[ W = \text{the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year. For the 2007 Test Year, test year barrels are reduced by 589,208 based on the reduction in forecast Island Industrial customer load caused by the shutdown of one of the paper machines at Corner Brook Pulp and Paper and the shutdown of Abitibi Consolidated (Grand Falls).} \]
\[ X = \text{the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for July to December of the current year and for the January to June period of the subsequent year.} \]
\[ Y = \text{the monthly average of the $Can / $US Bank of Canada Noon Exchange Rate for the month of March.} \]

The Newfoundland Power customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of March and is the ratio of Newfoundland Power Firm and Firmed-Up Secondary invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy. For the 12 months-to-date (April 2008 - March 2009) Industrial Firm invoiced energy is reduced by 87,991,636 kWh to reflect the forecast reduction in Abitibi Consolidated (Grand Falls) load.

The amount of the forecast fuel price change, in Canadian dollars, and the details of the resulting fuel rider applied to the adjustment rate will be reported to Newfoundland Power, industrial customers, and the Public Utilities Board, by the 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.

2. Island Industrial Customers
2.1 As of December 31 each year, the adjustment rate for industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance

plus forecast financing charges to the end of the following calendar year,

divided by 12-months-to-date kWh sales to the end of December.

A fuel rider shall be added to the above adjustment rate, based on the Industrial Fuel Price Projection (as per Section C.1 above) amount divided by 12-months-to-date kWh sales to the end of December.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

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

Section E: Historical Plan Balances:

1. August 2002 Balance:

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

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

Where:

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

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

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

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

\[ G = H \div I \div J \]

Where:

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

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

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

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

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

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

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

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