

NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN
SUMMARY
October 2001

**RATE STABILIZATION PLAN
SUMMARY**

The Cost of Service Study filed with the Board in November of 1991 is based on projections of events and costs that are forecast to happen during the test year 1992. Variations between actual results and Cost of Service estimates are reflected in the Rate Stabilization Plan which was established for that purpose.

Summary of Key Facts Used in the Plan:

1.	Normal annual hydraulic production assumed in the Cost of Service Study	-	4,205.32 GWh.
2.	Cost of Service oil price	-	\$12.49 per barrel
3.	Holyrood average annual operating efficiency	-	605 kWh. per bbl.
4.	Holyrood mill rate based on \$12.49 per barrel	-	20.64 mills per kWh
5.	Retail energy mill rate	-	45.31 mills per kWh
6.	Large industrial energy mill rate	-	19.34 mills per kWh effective January 1, 2000
7.	Firming up charge	-	10.40 mills per kWh January to December
8.	Interest rate collected/charged	-	8.40% per annum effective January 1, 2001.
9.	Retail rate stabilization plan adjustment effective July 1, 2001	-	1.77 mills per kWh
10.	Industrial rate stabilization plan adjustment effective January 1, 2001	-	2.80 mills per kWh

**NEWFOUNDLAND AND LABRADOR HYDRO
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HYDRAULIC PRODUCTION

MONTH	COST OF SERVICE	ACTUAL PRODUCTION	MONTHLY VARIANCE	CUMULATIVE VARIANCE		COST OF SERVICE	ACTUAL	VARIANCE	HOLYROOD GENERATING STATION	OTHER GENERATION	AMOUNT
	(GWh)	(GWh)	(GWh)	(GWh)		(GWh)	(GWh)	(GWh)	(GWh)	\$	\$
<u>HYDRO PRODUCTION PLANT</u>											
January	382.42	470.55	88.13	88.13	Bay D'Espoir	206.71	138.35				
February	359.84	456.20	96.36	184.49	Hinds Lake	29.75	21.42				
March	392.94	423.27	30.33	214.82	Upper Salmon	44.01	36.03				
April	362.50	351.60	(10.90)	203.92	Cat Arm	56.41	19.61				
May	368.69	332.43	(36.26)	167.66	Paradise River	<u>3.11</u>	<u>2.16</u>				
June	324.91	287.01	(37.90)	129.76	TOTAL	<u>339.99</u>	<u>217.57</u>	(122.42)			
July	301.53	320.86	19.33	149.09							
August	302.41	328.34	25.93	175.02							
September	302.17	213.72	(88.45)	86.57	Holyrood Generating Station						
October	339.99	217.57	(122.42)	(35.85)	122.42/0.000605 x \$12.49				2,527,315.37		
November	362.72										
December	<u>405.20</u>										
TOTAL	<u>4,205.32</u>										

TOTAL

2,527,315.37

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1. Hydraulic Production Variations: Actual production in October 2001 was 217.57 GWh compared with the Cost of Service Study of 339.99 GWh, a decrease of 122.42 GWh. This decrease in hydraulic production resulted in a charge to the Plan of \$2,527,000 (excluding interest) representing an amount owed to Hydro by Customers based on the \$12.49 per barrel cost which was estimated in the Cost of Service Study.

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LOAD VARIATIONS

MONTH	FIRM ENERGY SALES				SECONDARY ENERGY SALES			
	COST OF SERVICE SALES (GWh)	ACTUAL SALES (GWh)	MONTHLY VARIANCE (GWh)	CUMULATIVE VARIANCE (GWh)	COST OF SERVICE SALES (GWh)	ACTUAL SALES (GWh)	MONTHLY VARIANCE (GWh)	CUMULATIVE VARIANCE (GWh)
January	594.30	622.73	28.43	28.43	0.00	0.00	0.00	0.00
February	557.00	586.45	29.45	57.88	0.00	0.00	0.00	0.00
March	552.60	585.11	32.51	90.39	0.00	0.00	0.00	0.00
April	482.30	497.65	15.35	105.74	0.00	0.00	0.00	0.00
May	429.80	441.26	11.46	117.20	0.00	0.00	0.00	0.00
June	370.50	354.34	(16.16)	101.04	0.00	0.00	0.00	0.00
July	345.40	352.32	6.92	107.96	0.00	0.00	0.00	0.00
August	346.10	366.79	20.69	128.65	0.00	0.00	0.00	0.00
September	356.60	342.25	(14.35)	114.30	0.00	0.00	0.00	0.00
October	434.60	415.59	(19.01)	95.29	0.00	0.00	0.00	0.00
November	489.70				0.00			
December	574.40				0.00			
TOTAL	<u>5,533.30</u>				<u>0.00</u>			

2 . Load Variation:

- (a) Firm Energy Sales - Actual firm energy sales for October 2001 were 415.59 GWh, 19.01 GWh less than estimated in the Cost of Service Study.
- (b) Secondary Energy Sales - Actual secondary energy sales for October 2001 were nil.

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LOAD VARIATIONS - Continued

<u>LOAD VARIATION ELEMENTS</u>	<u>COST OF SERVICE</u> (kWh)	<u>ACTUAL</u> (kWh)	<u>VARIANCE</u> (kWh)	<u>MILL RATE</u>	<u>AMOUNT</u> \$
(a) Utility Firm Energy Sales					
Newfoundland Light and Power	<u>327,700,000</u>	<u>304,749,677</u>	(22,950,323)	(24.67)	566,184.47
				(20.64-45.31)	
(b) Large Industrial Firm Energy Sales					
Abitibi-Price (Grand Falls)					
1st Block	14,900,000	9,111,635			
2nd Block	<u>100,000</u>	<u>33,329</u>			
	15,000,000	9,144,964			
Abitibi-Price (Stephenville)	42,700,000	44,725,663			
Deer Lake Power	1,400,000	1,489,976			
Corner Brook Pulp & Paper	27,000,000	37,794,244			
Albright & Wilson Americas	1,200,000	0			
North Atlantic Refining Ltd.	19,000,000	17,682,453			
Royal Oak Mines Inc.	<u>600,000</u>	<u>0</u>			
	<u>106,900,000</u>	<u>110,837,300</u>	<u>3,937,300</u>	1.30	<u>5,118.49</u>
				(20.64-19.34)	
TOTAL	<u>434,600,000</u>	<u>415,586,977</u>	<u>(19,013,023)</u>		<u>571,302.96</u>
					(To Page 14)
(c) Secondary Energy Sales					
Newfoundland Light and Power	<u>0</u>	<u>0</u>	<u>0</u>	10.40	<u>0.00</u>
					(To Page 14)

* Albright & Wilson Americas and Royal Oak Mines Inc. are no longer Industrial Customers.

The impact on the Plan from Load Variations comes from three elements.

- (a) Utility Firm Sales - Actual sales were 22.95 GWh less than the Cost of Service Study and resulted in a charge to the Plan of \$566,000 (excluding interest). This is calculated by comparing the cost of thermal generation at 20.64 mills, less the Retail energy rate of 45.31 mills, a difference of 24.67 mills multiplied by 22.95 GWh.
- (b) Large Industrial - Actual sales were 3.94 GWh more than the Cost of Service Study and resulted in a charge to the Plan of \$5,000 (excluding interest). This is calculated by taking the cost of thermal generation at 20.64 mills, less the Large Industrial energy rate of 19.34 mills, a difference of 1.30 mills multiplied by 3.94 GWh.
- (c) Secondary Energy Sales - Actual secondary energy sales for October were nil.

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FUEL COST VARIATIONS

MONTH	FUEL COST			FUEL CONSUMPTION			
	<u>COST OF SERVICE FUEL COST</u> (\$)	<u>ACTUAL FUEL COST</u> (\$)	<u>VARIANCE</u> (\$)	<u>COST OF SERVICE BARRELS</u> (Qty.)	<u>ACTUAL BARRELS</u> (Qty.)	<u>MONTHLY VARIANCE</u> (Qty.)	<u>CUMULATIVE VARIANCE</u> (Qty.)
January	12.31	35.01	22.70	442,711	320,686	(122,025)	(122,025)
February	12.40	34.14	21.74	414,149	280,051	(134,098)	(256,123)
March	12.43	32.47	20.04	348,446	328,999	(19,447)	(275,570)
April	12.45	32.19	19.74	273,719	291,311	17,592	(257,978)
May	12.45	30.28	17.83	169,091	227,709	58,618	(199,360)
June	12.45	29.74	17.29	130,909	153,344	22,435	(176,925)
July	12.48	29.74	17.26	122,975	97,080	(25,895)	(202,820)
August	12.48	28.06	15.58	122,975	109,903	(13,072)	(215,892)
September	12.49	28.13	15.64	142,810	233,132	90,322	(125,570)
October	12.49	27.76	15.27	221,355	357,195	135,840	10,270
November	12.50			285,620			
December	<u>12.50</u>			<u>368,926</u>			
TOTAL	<u>12.45</u>			<u>3,043,686</u>			

3. Fuel Cost Variations: Actual fuel consumption in October 2001 was 357,195 barrels at the Holyrood Generating Station. This was 135,840 barrels more than the forecast in the Cost of Service Study.

4. The fuel cost variation during the month, based on the average fuel cost for the Holyrood Generating Station of \$27.76 per barrel, was \$15.27 per barrel more than provided in the Cost of Service Study. The implications of this fuel price variation for the Rate Stabilization Plan are provided in the next table.

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FUEL COST VARIATIONS - Continued

<u>CONSUMPTION SCHEDULE</u>	<u>BARRELS</u> (Qty.)	<u>AVERAGE</u> <u>PRICE</u> \$	<u>AMOUNT</u> \$
PERIOD:			
October 01, 2001 - October 4, 2001	45,349	28.1343	1,275,862.37
October 05, 2001 - October 31, 2001	<u>312,756</u>	<u>27.7045</u>	<u>8,664,748.60</u>
	358,105	27.7589	9,940,610.97
Less: Emergency Fuel	(910)	27.7589	(25,260.60)
	<u>357,195</u>	27.7589	<u>9,915,350.37</u>

<u>FUEL COST VARIATION PROVISION</u>	<u>FUEL COST PER BARREL</u>				
	<u>COST OF</u> <u>SERVICE</u> \$	<u>ACTUAL</u> \$	<u>VARIANCE</u> \$	<u>ACTUAL BARRELS</u> <u>OF FUEL USED</u> (Qty.)	<u>AMOUNT</u> \$
(a) Holyrood Generating Station	12.49	27.76	15.27	X 357,195	<u>5,454,367.65</u>

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The charge to the plan resulting from the fuel cost variation is calculated as follows. The average cost of fuel in our tanks at Holyrood was \$27.76 per barrel compared with the Cost of Service estimate of \$12.49 per barrel. The difference \$15.27 per barrel, multiplied by the number of barrels consumed by the Holyrood Generating Station of 357,195 barrels in the month results in \$5,454,000 owed by Customers to Hydro for the month.

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ADJUSTMENT

	<u>ACTUAL</u> (kWh)	<u>MILL RATE</u> <u>ADJUSTMENT</u>	<u>AMOUNT</u> \$
(a) Utility Firm Energy Sales			
Newfoundland Light and Power	304,749,677	(1.77)	(539,406.93)
(b) Secondary Energy Sales			
Newfoundland Light and Power	<u>0</u>	(1.77)	<u>0.00</u>
	304,749,677		(539,406.93)
(c) Large Industrial Firm Energy Sales			
Abitibi-Price (Grand Falls)			
1st Block	9,111,635		
2nd Block	<u>33,329</u>		
	9,144,964		
Abitibi-Price (Stephenville)	44,725,663		
Deer Lake Power	1,489,976		
Corner Brook Pulp & Paper	37,794,244		
Albright & Wilson Americas	0		
North Atlantic Refining Ltd.	17,682,453		
Royal Oak Mines Inc.	<u>0</u>		
	<u>110,837,300</u>	(2.80)	<u>(310,344.45)</u>
	<u>415,586,977</u>		<u>(849,751.38)</u>

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Adjustment: The Rate Stabilization Plan balances used for determining rate adjustments are as follows:

	<u>RETAIL</u>	<u>INDUSTRIAL</u>	<u>TOTAL</u>
September 30, 2000	16,827,000	10,480,000	27,307,000
December 31, 2000	22,684,000	12,918,000	35,602,000
September 30, 2001	44,099,000	18,769,000	62,868,000

Values in brackets indicate amounts due to customers, whereas unbracketed values indicate amounts due from customers.

One third of the amount owing from Industrial customers at September 30, 2000, \$3,493,000 will be recovered over the twelve month period commencing January 1, 2001 through an adjustment in the monthly mill rate charged Industrial customers. The recovery rate of 2.80 mills per kWh was calculated by dividing total energy sales to Industrial customers, in the 12 months ended September 30, 2000, into the amount to be recovered from Industrial customers over the next 12 months.

One third of the amount owing from Retail customers at December 31, 2000, \$7,561,000 will be recovered over the period July 1, 2001 to June 30, 2002 through an adjustment in the monthly mill rate charged Retail customers. The recovery rate of 1.77 mills per kWh was calculated by dividing total energy sales to Retail customers, in the 12 months ended December 31, 2000, into the amount to be recovered from Retail customers over the next 12 months.

One third of the amount owing from Industrial customers at September 30, 2001, \$6,256,000 will be recovered over the twelve month period commencing January 1, 2002 through an adjustment in the monthly mill rate charged Industrial customers. The recovery rate of 5.14 mills per kWh was calculated by dividing total energy sales to Industrial customers, in the 12 months ended September 30, 2001, into the amount to be recovered from Industrial customers over the next 12 months.

During the month, total sales to Retail customers were 304.75 GWh and when multiplied by the recovery rate of 1.77 mills per kWh for the current month's sales results in \$540,000 of the balance outstanding being recovered from Retail customers. Also during the month, total sales to Industrial customers were 110.84 GWh and when multiplied by the recovery rate of 2.80 mills per kWh results in \$310,000 of the balance outstanding being recovered from Industrial customers.

**NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN**

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**OVERALL SUMMARY
(in thousands of dollars)**

HYDRAULIC																
PRODUCTION VARIATIONS				LOAD VARIATIONS						FUEL COST VARIATIONS			RURAL RATE ALTERATION*			TOTAL TO
				FIRM		SECONDARY					RURAL					DATE DUE
				TOTAL ¹ ENERGY		TOTAL ¹ ENERGY		TOTAL ¹ ENERGY		FUEL	TOTAL ¹ CHANGE		RURAL	TOTAL ¹	FROM (TO)	
MONTH	PRODUCTION	INTEREST	TO DATE	SALES	INTEREST	TO DATE	SALES	INTEREST	TO DATE	COST	INTEREST	TO DATE	ADJUST	INTEREST	TO DATE	CUSTOMERS
January	(1,793)	0	(1,793)	(704)	0	(704)	0	0	0	7,280	0	7,280	(71)	0	(71)	4,712
February	(1,975)	(12)	(3,780)	(600)	(5)	(1,309)	0	0	0	6,088	49	13,417	(67)	0	(138)	8,190
March	(623)	(26)	(4,429)	(625)	(9)	(1,943)	0	0	0	6,593	91	20,101	(64)	(1)	(203)	13,526
April	224	(30)	(4,235)	(628)	(13)	(2,584)	0	0	0	5,750	136	25,987	696	(1)	492	19,660
May	746	(28)	(3,517)	(354)	(18)	(2,956)	0	0	0	4,060	176	30,223	(22)	3	473	24,223
June	780	(24)	(2,761)	224	(20)	(2,752)	0	0	0	2,651	204	33,078	(50)	4	427	27,992
July	(399)	(18)	(3,178)	(393)	(19)	(3,164)	0	0	0	1,676	223	34,977	(49)	3	381	29,016
August	(535)	(22)	(3,735)	(488)	(21)	(3,673)	0	0	0	1,712	237	36,926	(46)	3	338	29,856
September	1,826	(25)	(1,934)	(127)	(25)	(3,825)	0	0	0	3,646	250	40,822	(48)	2	292	35,355
October	2,527	(13)	580	571	(26)	(3,280)	0	0	0	5,454	276	46,552	(46)	2	248	44,100
November																
December																

¹ Values appearing in brackets indicate amounts due to customers, whereas unbracketed values indicate amounts due from customers.

* Net revenue/charge received by Hydro as a result of Newfoundland Power's rate adjustments.

Overall Summary: For October 2001, hydraulic production was down 122.42 GWh from the Cost of Service Study which resulted in Customers owing Hydro \$2,527,000. Utility energy sales were 22.95 GWh less than the Cost of Service Study representing \$566,000 due from retail customers. Large industrial energy sales were 3.94 GWh more than the Cost of Service Study representing \$5,000 due from industrial customers. Secondary energy sales were nil. Total of these three load items resulted in an amount owing to Hydro by Customers of \$571,000. Fuel consumed was 357,195 barrels at an average cost of \$15.27 per barrel more than that used in the Cost of Service, resulting in a charge to customers of \$5,454,000.

Netting all of the adjustments, the charge to the Plan for October 2001 including interest, was an amount owing to Hydro by Customers of \$8,745,000.

**NEWFOUNDLAND AND LABRADOR HYDRO
RATE STABILIZATION PLAN**

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**OVERALL SUMMARY
(in thousands of dollars)**

MONTH	RETAIL CUSTOMER PLAN						INDUSTRIAL CUSTOMER PLAN						TOTAL HYDRO					
	CURRENT PERIOD			PRIOR PERIOD			CURRENT PERIOD			PRIOR PERIOD			TOTAL ⁽¹⁾ CURRENT PERIOD	TOTAL PRIOR PERIOD	TOTAL TO DATE			
	ACTIVITY	INT.	TOTAL TO DATE	ADJ.	INT.	TOTAL TO DATE	RETAIL TOTAL TO DATE	ACTIVITY	INT.	TOTAL TO DATE	ADJ.	INT.				TOTAL TO DATE	INDUST. TOTAL TO DATE	
Revised ⁽²⁾ Balance forward:						22,684	22,684							12,056	12,056		34,740	34,740
January	2,945	0	2,945	(902)	153	21,935	24,880	1,655	0	1,655	(300)	82	11,838	13,493	4,600	33,773	38,373	
February	2,141	20	5,106	(848)	147	21,234	26,340	1,202	11	2,868	(285)	80	11,633	14,501	7,974	32,867	40,841	
March	3,931	35	9,072	(826)	144	20,552	29,624	1,253	19	4,140	(317)	78	11,394	15,534	13,212	31,946	45,158	
April	4,596	61	13,729	(702)	139	19,989	33,718	1,209	28	5,377	(271)	78	11,201	16,578	19,106	31,190	50,296	
May	3,390	93	17,212	(588)	135	19,536	36,748	964	37	6,378	(295)	76	10,982	17,360	23,590	30,518	54,108	
June	2,871	116	20,199	(449)	132	19,219	39,418	654	43	7,075	(274)	75	10,783	17,858	27,274	30,002	57,276	
July	608	137	20,944	(451)	130	18,898	39,842	166	48	7,289	(273)	72	10,582	17,871	28,233	29,480	57,713	
August	388	141	21,473	(458)	129	18,569	40,042	192	49	7,530	(303)	71	10,350	17,880	29,003	28,919	57,922	
September	4,248	146	25,867	(462)	125	18,232	44,099	996	50	8,576	(228)	71	10,193	18,769	34,443	28,425	62,868	
October	6,707	175	32,749	(540)	124	17,816	50,565	1,629	59	10,264	(310)	68	9,951	20,215	43,013	27,767	70,780	
November																		
December																		

Interest calculated using Hydro's annual cost of debt at 8.40% beginning January, 2001. Values in brackets indicate balances due to customers, whereas unbracketed values indicate balances due from customers.

⁽¹⁾ Amount has been adjusted for portion associated with Labrador Interconnected customers

⁽²⁾ In August 2001, the industrial plan was credited for an amount reallocated from rural customers. The effect on the plan was to adjust the opening 2001 balance for industrial customers by (862) which included an amount of (24) attributable for interest. The year-to-date 2001 has been restated to reflect this change. The net effect on the plan for 2001 is (1,181) which includes interest of (97).

The table opposite shows the breakdown of the Rate Stabilization Plan into the amount owing from Retail and Industrial customers for both the current and previous periods. As of the end of October 2001 the amount owing to Hydro by Retail customers was \$50,565,000 and the amount owing to Hydro by Industrial customers was \$20,215,000.