

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

ORDER NUMBER: P.U. 14 (2004)

APPENDIX B

IN THE MATTER OF the *Public Utilities Act*, (R.S.N. 1990, Chapter P-47 (the “Act”), and

IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro for approvals of, under Section 70 of the Act, changes in the rates to be charged for the supply of power and energy to Newfoundland Power, Rural Customers and Industrial Customers; and under Section 71 of the Act, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers.

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

THE AMENDED APPLICATION of Newfoundland and Labrador Hydro (“Newfoundland Hydro”)

STATES that: -

1. Newfoundland Hydro is a corporation continued and existing under the Hydro Corporation Act, is a public utility within the meaning of the Act and is subject to the provisions of the *Electrical Power Control Act, 1994* (“EPCA, 1994”).
2. The last general rate application by Newfoundland Hydro to the Board was filed on May 31, 2001. By Order No. P.U. 7 (2002-03) the Board gave direction on a number of matters as more particularly set out in that Order, including that Newfoundland Hydro file its next general rate application no later than December 31, 2003.

3. On August 16, 2002, Newfoundland Hydro filed a revised total 2002 Revenue Requirement, Rate Base, Return on Rate Base, Schedule of Rates and 2002 Cost of Service Study, all in accordance with Order No. P.U. 7 (2002-2003).
4. By Order No. P.U. 21 (2002-2003), the Board approved the rates currently charged by Newfoundland Hydro to its customers, which became effective September 1, 2002; fixed the forecast 2002 test year Rate Base at \$1,359,570,000; allowed a Return on Rate Base, based on the 2002 test year of 7.081% and approved the Rules and Regulations, currently in effect, for Rural Customers.
5. By Order No. P.U. 10 (2003) the Board approved changes to the Rules and Regulations for Rural Customers.
6. The Applicant proposes:
 - (1) that the rate charged Newfoundland Power be increased, no later than January 1, 2004 to 54.45 mills per kWh;
 - (2) that the rate charged Newfoundland Power as of January 1, 2004, for firming up secondary energy purchased from Corner Brook Pulp and Paper Limited and re-sold to Newfoundland Power as firm energy be decreased to 6.41 mills per kWh;

- (3) that the rates charged to Industrial Customers for firm service be increased, no later than January 1, 2004, to a demand charge of \$6.49 per kW per month, an energy charge of 27.55 mills per kWh and the relevant annual specifically assigned charges;
- (4) that the rates charged to Industrial Customers for non-firm service be, as of January 1, 2004, \$1.50 per kW per month and a variable energy charge based on the calculation on Page 3 of the Rates Schedules attached to this Application;
- (5) that the rate for wheeling energy for Abitibi-Consolidated Company of Canada be decreased to 4.49 mills per kWh as of January 1, 2004;
- (6) that the existing policy be continued of allowing the Applicant, as Newfoundland Power changes its rates, to automatically adjust the rates which it charges its Island Interconnected Rural Customers, its customers served from the L'Anse au Loup System, and its non-Government Isolated Domestic Rural Customers for the first 700 kWh per month of consumption, so that such rates are the same as the rates charged by Newfoundland Power to its customers;
- (7) that the existing policy be continued of allowing the Applicant to change the rates charged for consumption over 700 kWh per month of electricity sold to non-Government Isolated Domestic Rural Customers (the "lifeline block"), by the average rate of change (i.e. increase or decrease) granted to Newfoundland Power from time to time;

- (8) < >
- (9) that the policy, outlined in Order No. P.U. 7 (2002-2003) of charging rates based on full cost recovery for Government departments < >, excluding hospitals and schools in Isolated Rural Systems, be continued;
- (10) < >
- (11) that the lifeline block be phased out for Isolated General Service Customers and that a demand energy rate structure be implemented for these customers as directed by Order No. P.U. 7 (2002-2003) and as outlined in the Rates and Customer Services Evidence filed with this Application;
- (12) that the rates for Labrador Interconnected Customers be based on a uniform Rate Structure as approved in Order No. P.U. 7 (2002-2003) and phased in over a five-year period as outlined in the Rates and Customer Service Evidence filed with this Application;
- (13) that the following financial targets be approved by the Board as appropriate for Hydro:

Return on Equity (ROE)	- 9.75%
Debt to Capital Structure	- 80%
Return on Rate Base	- 8.15%

- (14) that the estimated 2004 average Rate Base be \$1,485,468,000;
- (15) that the just and reasonable Rate of Return on the estimated average Rate Base for 2004 be 8.15% ;
- (16) certain minor amendments to the Rules and Regulations which govern the provision of service to Rural Customers be made to eliminate the statement preparation fee; to reduce the fee applicable for customer name changes from \$14 to \$8; and to extend the application of the reconnection fee to circumstances where customers request reconnection of service following a request for a landlord to disconnect;

7. The Applicant requests that the Board make an Order as follows:

- (1) fixing and determining the 2004 Rate Base of the Applicant at \$1,485,468,000;
- (2) determining a just and reasonable rate of return for 2004 on average Rate Base of 8.15%;
- (3) Approving, pursuant to Section 70 of the Act, the rate of 54.45 mills per kWh to be charged Newfoundland Power as set out in the Rates Schedules 2004 p. 1 of 32 attached to this Application;

- (4) Approving, pursuant to Section 70 of the Act, the firming up charge of 6.41 mills per kWh for secondary energy supplied by Corner Brook Pulp and Paper Limited to the Applicant and delivered as firm power and energy to Newfoundland Power as set out in the Rates Schedules 2004 p. 1 of 32 attached to this Application;
- (5) Approving, pursuant to Section 70 of the Act, the rate of \$6.49 per kW per month demand charge and an energy charge of 27.55 mills per kWh to be charged Island Industrial Customers for firm power and energy, plus the annual specifically assigned charge as follows;

Abitibi-Consolidated Company of Canada -Grand Falls	\$ 2,043
Abitibi-Consolidated Company of Canada –Stephenville	110,666
Corner Brook Pulp and Paper Limited	177,184
North Atlantic Refining Limited	183,497

as set out in the Rates Schedules 2004 p. 2 of 32 attached to this Application;

- (6) Approving, pursuant to Section 70 of the Act, the rate for non-firm service to Industrial Customers as set out in the Rates Schedules 2004, p. 3 attached to this Application;
- (7) Approving, pursuant to Section 70 of the Act, the rate of 4.49 mills per kWh as a wheeling fee to be charged Abitibi-Consolidated Company of Canada as set out in the Rates Schedules 2004, p. 4 of 32 attached to this Application;

- (8) Approving, pursuant to Section 70 of the Act, the rates for 2004 to 2008 for Rural Customers set out in the Rates Schedules attached to this Application;
 - (9) Approving, pursuant to Section 70 of the Act, changes to the Rules and Regulations applicable to providing service to Rural Customers outlined in paragraph 6 (16) hereof;
 - (10) Granting such alternative, additional or further relief as the Board shall consider fit and proper in the circumstances.
8. Communications with respect to this Application should be forwarded to Counsel for the Applicant, Maureen P. Greene, Q.C., Vice-President and General Counsel, Newfoundland and Labrador Hydro, P.O. Box 12400, St. John's, Newfoundland, A1B 4K7, phone 737-1465, fax 737-1782.

DATED at St. John's, Newfoundland this day of August 2003.

NEWFOUNDLAND AND LABRADOR HYDRO

William E. Wells
President and Chief Executive Officer
Newfoundland & Labrador Hydro
Hydro Place, Columbus Drive
P.O. Box 12400
St. John's, Newfoundland
A1B 4K7

IN THE MATTER OF the *Public Utilities Act*, (R.S.N. 1990, Chapter P-47 (the “Act”); *and*

IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro for approvals of under Section 70 of the Act, changes in the rates to be charged for the supply of power and energy to Newfoundland Power, Rural Customers and Industrial Customers; and Under Section 71 of the Act, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers.

AFFIDAVIT

I, William E. Wells of St. John’s in the Province of Newfoundland, make oath and say as follows:

1. I am President and Chief Executive Officer of Newfoundland and Labrador Hydro, the Applicant named in the attached Amended Application.
2. To the best of my knowledge, information and belief, all matters, facts and things set out in the attached Amended Application are true.

SWORN at St. John’s in the Province)
of Newfoundland and Labrador)
this day of August 2003,)
before me:)

Barrister (NL)

William E. Wells