

P.U. 42(2006)

INTERIM RATES ORDER

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

IN THE MATTER OF an application (the “Application”) by Newfoundland Power Inc. (“Newfoundland Power”) for an Order pursuant to Sections 70, 75, 78 and 80 of the *Act* and Order No. P.U. 19(2003) to revise its schedule of rates, rules and regulations (“Customer Rates”) to:

- (i) reflect the revised rate of return on rate base for 2007 resulting from the operation of the Automatic Adjustment Formula (the “Formula”);
- (ii) permit recovery of additional costs payable to Newfoundland and Labrador Hydro (“Hydro”) for the supply of power as a result of a revised wholesale rate effective January 1, 2007;
- (iii) approve a revised rate stabilization adjustment to apply to the rates of Newfoundland Power for the period January 1, 2007 to June 30, 2007; and
- (iv) approve a revision to Newfoundland Power’s Rate Stabilization Clause.

BEFORE:

Robert Noseworthy
Chair and Chief Executive Officer

Darlene Whalen, P. Eng.
Vice-Chair

1 **WHEREAS** Newfoundland Power is a corporation organized and existing under the laws of the
2 Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is
3 also subject to the provisions of the *Electrical Power Control Act, 1994*, and

4

5 **WHEREAS** by Order No. P.U. 21(2006) the Board approved Newfoundland Power's current
6 Customer Rates; and

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8 **WHEREAS** by Order No. P.U. 39(2006) the Board approved the forecast 2007 values for rate base
9 of \$785,271,000 and invested capital of \$787,990,000 for use in the Formula to calculate
10 Newfoundland Power's rate of return on rate base for 2007; and

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12 **WHEREAS** by Order No. P.U. 40(2006) the Board approved a rate of return on rate base for
13 Newfoundland Power of 8.47% as determined by the Formula; and

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15 **WHEREAS** Hydro filed a revised General Rate Application dated December 6, 2006 ("Hydro's
16 Revised Application") which proposes, among other things, (i) increased purchased power costs for
17 Newfoundland Power, and (ii) a revised RSP adjustment, both to be effective January 1, 2007; and

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19 **WHEREAS** in Order No. P.U. 41(2006) the Board approved the 2007 rates proposed in Hydro's
20 Revised Application on an interim basis to be effective January 1, 2007, and

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22 **WHEREAS** on December 8, 2006 Newfoundland Power filed an Application with the Board for
23 approval of revised Customer Rates to be effective January 1, 2007; and

24 **WHEREAS** Section 80 of the *Act* provides, in effect, that Newfoundland Power's Customer Rates
25 should be revised to reflect (i) the 2007 operation of the Formula, and (ii) any additional purchased
26 power costs incurred by Newfoundland Power in 2007 resulting from the revisions proposed in
27 Hydro's Revised Application; and

1 **WHEREAS** it is just and reasonable for Newfoundland Power to recover the amount of the increase
2 in its 2007 purchased power costs resulting from Hydro's Revised Application without further
3 financial benefit or disadvantage; and

4
5 **WHEREAS** Newfoundland Power proposed that there be a year-end adjustment to Newfoundland
6 Power's Rate Stabilization Clause to true-up any under-recovery or over-recovery of increased
7 purchased power costs in 2007 resulting from the revised wholesale purchased power rate proposed
8 in Hydro's Revised Application; and

9
10 **WHEREAS** Newfoundland Power's proposals reflect the impact of the 2007 operation of the
11 Formula; and

12
13 **WHEREAS** Newfoundland Power's proposals reflect the interim rates approved in Order No. P.U.
14 41(2006) to be charged to Newfoundland Power by Hydro; and

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16 **WHEREAS** the rates set out in Order No. P.U. 41(2006) may be amended by final approval of
17 Hydro's rates flowing from Hydro's Revised Application; and

18
19 **WHEREAS** the Board has reviewed Newfoundland Power's proposals and the supporting
20 documentation and is satisfied that, given that the proposals are based on interim rates from Hydro,
21 the proposed rates should be approved on an interim basis.

22
23 **IT IS THEREFORE ORDERED THAT:**

- 24
25 1. Pursuant to section 75 of the *Act* the Board approves, on an interim basis, the schedule of
26 rates, tolls and charges attached as Schedule "A" to this Order to be effective on all
27 energy consumed on and after January 1, 2007.
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29 2. Newfoundland Power shall, within 30 days of final approval of Hydro's rates flowing
30 from Hydro's Revised Application, apply to the Board for approval of final rates.
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32 3. The proposed RSA factor of 0.444¢ per kWh to be applied to Customer Rates for the
33 period January 1, 2007 to June 30, 2007 is approved.
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35 4. The Rate Stabilization Clause set out in Schedule "B" with effect from January 1, 2007
36 is approved.

DATED at St. John's, Newfoundland and Labrador this 14th day of December 2006.

Robert Noseworthy
Chair and Chief Executive Officer

Darlene Whalen, P. Eng.
Vice-Chair

Cheryl Blundon
Board Secretary

Schedule “A”

Order No: P.U. 42(2006)

Issued: December 14, 2006

**NEWFOUNDLAND POWER INC.
RATE #1.1
DOMESTIC SERVICE - INTERIM**

Availability:

For Service to a Domestic Unit or to buildings or facilities which are on the same Served Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$15.59 per month

Energy Charge:
All kilowatt-hours @ 8.935¢ per kWh

Minimum Monthly Charge \$15.59 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #2.1
GENERAL SERVICE 0-10 kW - INTERIM

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$17.88 per month

Energy Charge:
All kilowatt-hours @ 11.462 ¢ per kWh

Minimum Monthly Charge, Single Phase \$17.88 per month
Three Phase \$35.76 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #2.2
GENERAL SERVICE 10-100 kW (110 kVA) - INTERIM

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater but less than 100 kilowatts (110 kilovolt-amperes).

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$20.60 per month

Demand Charge:

\$8.63 per kW of billing demand in the months of December, January, February and March and \$7.88 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kW of billing demand..... @ 9.108 ¢ per kWh
All excess kilowatt-hours..... @ 6.102 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.9 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase \$20.60 per month
Three Phase \$35.76 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #2.3
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA - INTERIM

Availability:

For Service where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$92.73 per month

Demand Charge:

\$7.46 per kVA of billing demand in the months of December, January, February and March and \$6.71 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kVA of billing demand,
up to a maximum of 30,000 kilowatt-hours @ 8.722 ¢ per kWh
All excess kilowatt-hours @ 5.974 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.9 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular, Regulation 7(n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #2.4
GENERAL SERVICE 1000 kVA AND OVER - INTERIM

Availability:

For Service where the maximum demand occurring in the 12 months ending with the current month is 1000 kilovolt-amperes or greater.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$185.46 per month

Demand Charge:

\$7.05 per kVA of billing demand in the months of December, January, February and March and \$6.30 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 100,000 kilowatt-hours @ 7.334 ¢ per kWh
All excess kilowatt-hours @ 5.866 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.9 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular, Regulation 7(n)], transformation [in particular, Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.
 RATE #4.1
 STREET AND AREA LIGHTING SERVICE - INTERIM**

Availability:

For Street and Area Lighting Service where the electricity is supplied by the Company and all fixtures, wiring and controls are provided, owned and maintained by the Company.

Monthly Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

	Sentinel/Standard	Post Top
High Pressure Sodium*		
100W (8,600 lumens)	\$14.65	\$15.13
150W (14,400 lumens)	18.22	-
250W (23,200 lumens)	23.92	-
400W (45,000 lumens)	31.28	-

* For all new installations and replacements.

Mercury Vapour

175W (7,000 lumens)	\$14.65	\$15.13
250W (9,400 lumens)	18.22	-
400W (17,200 lumens)	23.92	-

Special poles used exclusively for lighting service**

Wood	\$ 6.44
30' Concrete or Metal, direct buried	10.08
45' Concrete or Metal, direct buried	16.55
25' Concrete or Metal, Post Top, direct buried	8.16

Underground Wiring (per run)**

All sizes and types of fixtures	\$13.37
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** Where a pole or underground wiring run serves two fixtures paid for by different parties, the above rates for such poles and underground wiring may be shared equally between the two parties.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only) - INTERIM**

Availability:

For Customers billed on Rate #2.3 or #2.4 that can reduce their demand ("Curtail") by between 300 kW (330 kVA) and 5000 kW (5500 kVA) upon request by the Company during the Winter Peak Period. The Winter Peak Period is between 8 a.m. and 9 p.m. daily during the calendar months of December, January, February and March. The ability of a Customer to Curtail must be demonstrated to the Company's satisfaction prior to the Customer's availing of this rate option.

Credit for Curtailing:

If the Customer Curtails as requested for the duration of a Winter, the Company shall credit to the Customer's account the Curtailment Credit during May billing immediately following that Winter. The Curtailment Credit shall be determined by one of the following options:

Option 1:

The Customer will contract to reduce demand by a specific amount during Curtailment periods (the "Contracted Demand Reduction"). The Curtailment Credit for Option 1 is determined as follows:

Curtailment Credit = Contracted Demand Reduction x \$29 per kVA

Option 2:

The Customer will contract to reduce demand to a Firm Demand level which the Customer's maximum demand must not exceed during a Curtailment period. The Curtailment Credit for Option 2 is determined as follows:

Maximum Demand Curtailed = (Maximum Winter Demand - Firm Demand)

Peak Period Load Factor =
$$\frac{\text{kWh usage during Peak Period}}{(\text{Maximum Demand during Peak Period} \times 1573 \text{ hours})}$$

Curtailment Credit = ((Maximum Demand Curtailed x 50%) + (Maximum Demand Curtailed x 50% x Peak Period Load Factor)) x \$29 per kVA

Limitations on Requests to Curtail:

Curtailment periods will:

1. Not exceed 6 hours duration for any one occurrence.
2. Not be requested to start within 2 hours of the expiration of a prior Curtailment period.
3. Not exceed 100 hours duration in total during a winter period.

CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only) - INTERIM

The Company shall request the Customer to Curtail at least 1 hour prior to the commencement of the Curtailment period.

Failure to Curtail:

Failure to Curtail under Option 1 occurs when a Customer does not reduce its demand by the Contracted Demand Reduction for the duration of a Curtailment period. Failure to Curtail under Option 2 occurs when a Customer does not reduce its demand to the Firm Demand level or below for the duration of a Curtailment period.

The Curtailment Credit will be reduced by 50% as a result of the first failure to Curtail during a Winter. For each additional failure to Curtail, the Curtailment Credit will be reduced by a further 25% of the Curtailment Credit. If the Customer fails to Curtail three times during a Winter, the Customer forfeits 100% of the Curtailment Credit and the Customer will no longer be entitled to service under the Curtailable Service Option.

Notwithstanding the previous paragraph, no Curtailment Credit will be provided if the number of failures to Curtail equals the number of Curtailment requests.

Termination/Modification:

The Company requires six months written notice of the Customer's intention to either discontinue Curtailable Service Option or to modify the Contracted Demand Reduction or Firm Demand level.

General:

Services billed on this Service Option will have approved load monitoring equipment installed. For a customer that Curtails by using its own generation in parallel with the Company's electrical system, all Company interconnection guidelines will apply, and the Company has the option of monitoring the output of the Customer's generation. All costs associated with equipment required to monitor the Customer's generation will be charged to the Customer's account.

Schedule “B”

Order No: P.U. 42(2006)

Issued: December 14, 2006

**NEWFOUNDLAND POWER INC.
SCHEDULE OF RATES, TOLLS AND CHARGES**

RATE STABILIZATION CLAUSE

The Company shall include a rate stabilization adjustment in its rates. This adjustment shall reflect the accumulated balance in the Company's Rate Stabilization Account ("RSA") and any change in the rates charged to the Company by Newfoundland and Labrador Hydro ("Hydro") as a result of the operation of its Rate Stabilization Plan ("RSP").

I. RATE STABILIZATION ADJUSTMENT ("A")

The Rate Stabilization Adjustment ("A") shall be calculated as the total of the Recovery Adjustment Factor and the Fuel Rider Adjustment.

The Recovery Adjustment Factor shall be recalculated annually, effective the first day of July in each year, to amortize over the following twelve (12) month period the annual plan recovery amount designated to be billed by Hydro to the Company, and the balance in the Company's RSA.

The Recovery Adjustment Factor expressed in cents per kilowatt-hour and calculated to the nearest 0.001 cent shall be calculated as follows:

$$\frac{B + C}{D}$$

Where:

- B = the annual plan recovery amount designated to be billed by Hydro during the next twelve (12) months commencing July 1 as a result of the operation of Hydro's RSP.
- C = the balance in the Company's RSA as of March 31st of the current year.
- D = the total kilowatt-hours sold by the Company for the 12 months ending March 31st of the current year.

The Fuel Rider Adjustment shall be recalculated annually, effective the first day of July in each year, to reflect changes in the RSP fuel rider applicable to Newfoundland Power. The Fuel Rider Adjustment expressed in cents per kilowatt-hour and calculated to the nearest 0.001 cent shall be calculated as follows:

$$\frac{E \times F}{D}$$

NEWFOUNDLAND POWER INC.
SCHEDULE OF RATES, TOLLS AND CHARGES

RATE STABILIZATION CLAUSE

I. RATE STABILIZATION ADJUSTMENT ("A") (Cont'd)

Where:

- D = corresponds to the D above.
- E = the total kilowatt-hours of energy (including secondary energy) sold to the Company by Hydro during the 12 months ending March 31 of the current year.
- F = the fuel rider designated to be charged to Newfoundland Power through Hydro's RSP.

The Rate Stabilization Adjustment ("A") shall be recalculated and be applied as of the effective date of a new wholesale mill rate by Hydro, by resetting the Fuel Rider Adjustment included in the Rate Stabilization Adjustment to zero.

II. RATE STABILIZATION ACCOUNT ("RSA")

The Company shall maintain a RSA which shall be increased or reduced by the following amounts expressed in dollars:

1. At the end of each month the RSA shall be:
 - (i) increased (reduced) by the amount actually charged (credited) to the Company by Hydro during the month as the result of the operation of its Rate Stabilization Plan.
 - (ii) increased (reduced) by the excess cost of fuel used by the Company during the month calculated as follows:

$$(G/H - P) \times H$$

Where:

- G = the cost in dollars of fuel and additives used during the month in the Company's thermal plants to generate electricity other than that generated at the request of Hydro.
- H = the net kilowatt-hours generated in the month in the Company's thermal plants other than electricity generated at the request of Hydro.

NEWFOUNDLAND POWER INC.
SCHEDULE OF RATES, TOLLS AND CHARGES

RATE STABILIZATION CLAUSE

II. RATE STABILIZATION ACCOUNT ("RSA") (Cont'd)

P = the base rate in dollars per kilowatt-hour paid during the month by the Company to Hydro for firm energy.

(iii) reduced by the price differential of firmed-up secondary energy calculated as follows:

$$(P - J) \times K$$

Where:

J = the price in dollars per kilowatt-hour paid by the Company to Hydro during the month for secondary energy supplied by Deer Lake Power and delivered as firm energy to the Company.

K = the kilowatt-hours of such secondary energy supplied to the Company during the month.

P = corresponds to P above.

(v) reduced (increased) by the amount billed by the Company during the month as the result of the operation of the Rate Stabilization Clause calculated as follows:

$$\frac{L \times A}{100}$$

Where:

L = the total kilowatt-hours sold by the Company during the month.

A = the Rate Stabilization Adjustment in effect during the month expressed in cents per kilowatt-hour.

(v) increased (reduced) by an interest charge (credit) on the balance in the RSA at the beginning of the month, at a monthly rate equivalent to the mid-point of the Company's allowed rate of return on rate base.

2. On the 31st of December in each year, commencing in 1989, the RSA shall be increased (reduced) by the amount that the Company billed customers under the Municipal Tax Clause for the previous calendar year is less (or greater) than the amount of municipal taxes for that year.

**NEWFOUNDLAND POWER INC.
 SCHEDULE OF RATES, TOLLS AND CHARGES**

RATE STABILIZATION CLAUSE

II. RATE STABILIZATION ACCOUNT ("RSA") (Cont'd)

3. The annual kilowatt-hours used in calculating the Rate Stabilization Adjustment to the monthly streetlighting rates are as follows:

	Fixture Size (watts)				
	100	150	175	250	400
Mercury Vapour	-	-	840	1,189	1,869
High Pressure Sodium	546	802	-	1,273	1,995

4. On December 31st, 2007, the RSA shall be reduced (increased) by the amount that the increase in the Company's revenue for the year resulting from the change in base rates attributable to the flow through of Hydro's wholesale rate change, effective January 1, 2007, is greater (or less) than the amount of the increase in the Company's purchased power expense for the year resulting from the change in the base rate charged by Hydro effective January 1, 2007.

The methodology to calculate the RSA adjustment at December 31, 2007 is as follows:

Calculation of increase in Revenue:

2007 Revenue with Flow-through (Q)	\$ -
2007 Revenue without Flow-through (R)	\$ -
Increase in Revenue (S = Q – R)	\$ -

Calculation of increase in Purchased Power Expense:

2007 Purchased Power Expense with Hydro Increase (T)	\$ -
2007 Purchased Power Expense without Hydro Increase (U)	\$ -
Increase in Purchased Power Expense (V = T – U)	\$ -

Adjustment to Rate Stabilization Account (W = S – V)	\$ -
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Where:

- Q = Normalized revenue from base rates effective January 1, 2007.
- R = Normalized revenue from base rates determined based on rates pursuant to the operation of the Automatic Adjustment Formula for 2007.
- T = Normalized purchased power expense from Hydro's wholesale rate effective January 1, 2007 (not including RSP rate).
- U = Normalized purchased power expense determined based on Hydro's wholesale rate effective January 1, 2006 (not including RSP rate).

**NEWFOUNDLAND POWER INC.
SCHEDULE OF RATES, TOLLS AND CHARGES**

RATE STABILIZATION CLAUSE

III. RATE CHANGES

The energy charges in each rate classification (other than the energy charge in the "Maximum Monthly Charge" in classifications having a demand charge) shall be adjusted as required to reflect the changes in the Rate Stabilization Adjustment. The new energy charges shall be determined by subtracting the previous Rate Stabilization Adjustment from the previous energy charges and adding the new Rate Stabilization Adjustment. The new energy charges shall apply to all bills based on consumption on and after the effective date of the adjustment.