

1 **Q. Schedule 1, Page 2 of the application states:**

2
3 *"It is expected that the cost of wholesale electricity supply to Newfoundland Power by*
4 *Hydro will change as a result of the amended Hydro GRA. The degree of the change*
5 *will be uncertain until the Board fully considers the matter and renders an Order."*
6

7 **Provide details on the operation of the regulatory mechanism the Board has, in the**
8 **past, approved for use by Newfoundland Power to ensure flow through of wholesale**
9 **rate changes provides full recovery of changes in costs resulting from such rate**
10 **changes. Provide details of each previous rate change in which the regulatory**
11 **mechanism was applied.**
12

13 A. Newfoundland Power's Rate Stabilization Account (the "RSA") clause includes a
14 provision (the "True-up Provision") to ensure Newfoundland Power does not benefit or is
15 not negatively impacted from a change in the base rate component of the rate
16 Newfoundland and Labrador Hydro ("Hydro") charges Newfoundland Power (the
17 "Utility Base Rate").¹ The True-up Provision provides that any difference between the
18 Company's revenue and cost of purchasing power from Hydro, due to a change in
19 Hydro's Utility Rate is credited or debited to the Company's RSA. The balance in the
20 RSA is annually disposed of through the RSA adjustment portion of customer rates.²
21

22 Since 1990, the Board has approved a True-up Provision for each occasion the Board
23 approved a change in the Utility Base Rate³. Since 1990, this provision has only operated
24 during the year that the rate change occurred.
25

26 Refer to the response to Request for Information NLH-NP-057, Attachment A, which
27 provides the RSA clause as was approved in 2006 to facilitate the flow through of Hydro
28 changes in its rate to Newfoundland Power.

¹ The base rate excludes Hydro's Rate Stabilization Plan Adjustment.

² Annually, on July 1st, Newfoundland Power adjusts customer rates based on the March 31st balance in its RSA and changes to Hydro's Rate Stabilization Plan adjustment factor for the retail portion of Hydro's Rate Stabilization Plan.

³ See Order Nos. P.U. 7(1990), P.U. 22(2002-2003), P.U. 19(2004), and P.U. 42 (2006).

1 Table 1 provides the annual RSA balances that have occurred due to the operation of the
2 True-up Provision.
3
4

Table 1
RSA True-up Amounts Associated with Hydro Utility Base Rate Changes
1990 - 2007

Related Hydro Application	True-up Year	True-up amount (\$000)
1990 Hydro General Rate Proceeding ⁴	1990	326
2001 Hydro General Rate Application ⁵	2002	801
2003 Hydro General Rate Application ⁶	2004	1,215
2006 Hydro General Rate Application ⁷	2007	3,044

5
6
7 Newfoundland Power observes that the existence of the True-up Provision does nothing
8 to address the uncertainty created from a customer rate perspective as a result of Hydro's
9 outstanding GRA.
10
11 Refer to the response to Request for Information NLH-NP-058.

⁴ This application was filed with the Board on February 6, 1990.

⁵ This application was filed with the Board on May 31, 2001.

⁶ This application was filed with the Board on May 21, 2003.

⁷ This application was filed with the Board on August 3, 2006.

Rate Stabilization Account Clause

NEWFOUNDLAND POWER INC.
SCHEDULE
OF
RATES, RULES AND REGULATIONS
Effective July 1, 2014

Effective July 1, 2014

NEWFOUNDLAND POWER INC.**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)				
	<u>100</u>	<u>150</u>	<u>175</u>	<u>250</u>	<u>400</u>
Mercury Vapour	-	-	840	1,189	1,869
High Pressure Sodium	454	714	-	1,260	1,953

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).