

1 **Q. Provide details on the operation of the regulatory mechanism the Board has, in the**  
2 **past, approved for use by Newfoundland Power to ensure flow through of wholesale**  
3 **rate changes provides full recovery of changes in costs resulting from such rate**  
4 **changes. Provide details of each previous rate change in which the regulatory**  
5 **mechanism was applied.**  
6

7 A. Newfoundland Power's Rate Stabilization Account (the "RSA") clause includes a  
8 provision (the "True-up Provision") to ensure Newfoundland Power does not benefit nor  
9 is negatively impacted from a change in the base rate component of the rate  
10 Newfoundland and Labrador Hydro ("Hydro") charges Newfoundland Power (the  
11 "Utility Base Rate").<sup>1</sup> The True-up Provision provides that any difference between the  
12 Company's revenue and cost of purchasing power from Hydro, due to a change in  
13 Hydro's Utility Rate is credited or debited to the Company's RSA. The balance in the  
14 RSA is disposed of through the RSA adjustment portion of customer rates.<sup>2</sup>  
15

16 Since 1990, the Board has approved a True-up Provision for each occasion the Board  
17 approved a change in the Utility Base Rate<sup>3</sup>. Since 1990, this provision has only operated  
18 during the year that the rate change occurred.  
19

20 Attachment A provides the RSA clause as was approved in 2015 to facilitate the flow  
21 through of Hydro interim changes in its rate to Newfoundland Power.

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<sup>1</sup> The base rate excludes Hydro's Rate Stabilization Plan Adjustment.

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

<sup>3</sup> 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 - 2015**

<b>Related Hydro Application</b>	<b>True-up Year</b>	<b>True-up amount (\$000)</b>
1990 Hydro General Rate Proceeding <sup>4</sup>	1990	326
2001 Hydro General Rate Application <sup>5</sup>	2002	801
2003 Hydro General Rate Application <sup>6</sup>	2004	1,215
2006 Hydro General Rate Application <sup>7</sup>	2007	3,044
2015 Hydro 2015 Interim Rate Application <sup>8</sup>	2015	(344) <sup>9</sup>

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<sup>4</sup> This application was filed with the Board on February 6, 1990.

<sup>5</sup> This application was filed with the Board on May 31, 2001.

<sup>6</sup> This application was filed with the Board on May 21, 2003.

<sup>7</sup> This application was filed with the Board on August 3, 2006.

<sup>8</sup> This application was filed with the Board on January 28, 2015.

<sup>9</sup> Forecast.

**Rate Stabilization Account Clause**

**NEWFOUNDLAND POWER INC.**  
**SCHEDULE**  
**OF**  
**RATES, RULES AND REGULATIONS**  
**Effective July 1, 2015**

**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:

	<u>Fixture Size (watts)</u>				
	<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 31, 2015, 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 interim wholesale rate change, effective July 1, 2015, 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 on an interim basis by Hydro effective July 1, 2015.

This clause will be revised as required when the Company's rates are changed to reflect the flow-through of final changes to Hydro's wholesale rate.

The methodology to calculate the RSA adjustment at December 31, 2015 is as follows:

Calculation of increase in Revenue:

2015 Revenue with Flow-through (Q)	\$ -
2015 Revenue without Flow-through (R)	<u>\$ -</u>
Increase in Revenue (S = Q – R)	\$ -

Calculation of increase in Purchased Power Expense:

2015 Purchased Power Expense with Hydro Increase (T)	\$ -
2015 Purchased Power Expense without Hydro Increase (U)	<u>\$ -</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 July 1, 2015.
- R = Normalized revenue from base rates determined based on rates effective July 1, 2013.
- T = Normalized purchased power expense from Hydro's wholesale rate effective July 1, 2015 (not including RSP rate).
- U = Normalized purchased power expense determined based on Hydro's wholesale rate effective January 1, 2007 (not including RSP rate).