

- 1 **Q. Please file a copy of Newfoundland Power's Draft Customer RSP Refund Plan dated**
2 **January 8, 2016.**
3
4 A. A copy of Newfoundland Power's Draft Customer Refund Plan related to Newfoundland
5 and Labrador Hydro's Rate Stabilization Plan surplus is provided as Attachment A.

**Newfoundland and Labrador Hydro RSP Surplus:
Newfoundland Power Draft Customer Refund Plan
January 8, 2016**

WHENEVER. WHEREVER.
We'll be there.



January 8, 2016

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Gentlemen:

Re : Draft Newfoundland Power Customer Refund Plan

A. Enclosures:

Enclosed please find copies of:

1. a draft Newfoundland Power Customer Refund Plan related to Newfoundland & Labrador Hydro's ("Hydro") Rate Stabilization Plan surplus (the "Draft Plan"), and
2. a synopsis of some key data, assumptions, and timelines related to the Draft Plan.

B. Background:

In Order No. P.U. 9 (2014), the Board of Commissioners of Public Utilities (the "Board") considered an application by Hydro concerning refund of a balance in Hydro's Rate Stabilization Plan (the "RSP") as directed in a provincial order in council. In Order No. P.U. 9 (2014), the Board indicated that it expected "... *Hydro, Newfoundland Power and the Consumer Advocate will work jointly to determine a reasonable and appropriate approach in relation to the refund consistent with the directive of Government and file a consensus proposal with the Board for its consideration.*"

The enclosed materials, in Newfoundland Power's view, represent a reasonable approach in relation to refund of the portion of the Hydro RSP balance which is due to Newfoundland Power's customers.



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Re: Draft Newfoundland Power
Refund Plan

WHENEVER. WHEREVER.
We'll be there.



The materials are provided to you in draft for your evaluation and to enable consultation with a view to developing a consensus proposal relating to this matter to put before the Board for its consideration. We encourage that verification of some of the data by Hydro (i.e., the relevant RSP balances) will be necessary to ensure its accuracy.

C. Next Steps:

Once you have had an opportunity to review the enclosed, it is proposed that Hydro, the Consumer Advocate and Newfoundland Power meet to discuss the Draft Plan together with any changes which you might think necessary or advisable. We look forward to hearing from you at your next convenience regarding timing of such a meeting.

We trust the foregoing and enclosed are found to be in order. If you have any questions, feel free to contact us.

Yours very truly,

Peter Alteen, Q.C.
Vice President,
Regulation & Planning

Enclosures

c. Ms. Cheryl Blundon
Director of Corporate Services
and Board Secretary
Board of Commissioners
of Public Utilities



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**NEWFOUNDLAND & LABRADOR HYDRO RSP SURPLUS:
NEWFOUNDLAND POWER CUSTOMER REFUND PLAN**

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NEWFOUNDLAND & LABRADOR HYDRO RSP SURPLUS: NEWFOUNDLAND POWER CUSTOMER REFUND PLAN

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SECTION 1 INTERPRETATION

1.1 Definitions

In this Newfoundland Power Customer Refund Plan, the following definitions shall apply:

- (a) “Act” means *The Public Utilities Act*, RSNL 1990, Ch. P-47, as amended from time to time.
- (b) “Basic Refund Amount” means an amount calculated in accordance with Section 2.2 and Schedule 1.
- (c) “Board” means the Board of Commissioners of Public Utilities of Newfoundland and Labrador.
- (d) “Company” means Newfoundland Power Inc.
- (e) “Customer” means any person, corporation, or organization that accepted or agreed to accept Service and actually received Service from the Company in the period from January 1, 2007 to August 31, 2013.
- (f) “Designated Account” means an account of the Company maintained at a Bank in the City of St. John’s for the purposes of providing Refunds to Customers under the Plan.
- (g) “HST” means harmonized sales tax levied under the *Excise Tax Act (Canada)*.
- (h) “Hydro” means The Newfoundland and Labrador Hydro-Electric Corporation continued pursuant to the *Hydro Corporation Act*, SNL 2007, CL H-17 as amended.
- (i) “Payment Date” means a day agreed by the Company and Hydro upon which Refunds are to be paid by the Company to Customers.
- (j) “Plan” means this Newfoundland Power Customer Refund Plan.
- (k) “Refund” means an amount payable to a Customer pursuant to the Plan and includes the Basic Refund Amount and Taxes.
- (l) “RER Program” means the Residential Energy Rebate program established by *Newfoundland and Labrador Regulation 47/12*.
- (m) “RSP” means Hydro’s Rate Stabilization Plan as approved by the Board.

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- (n) “Service” means electrical service provided by the Company in the period from January 1, 2007 to August 31, 2013 under rules and regulations approved by the Board pursuant to the Act.
- (o) “Taxes” means HST, less any rebate under the RER Program, paid by a Customer in respect of Service.

1.2 Interpretation

- (a) Unless the context clearly requires otherwise, this Plan shall be interpreted such that:
 - (i) words importing persons include corporations and organizations; and
 - (ii) words importing the singular include the plural and *vice versa*.
- (b) The Plan shall be interpreted in a manner consistent with the Rules and Regulations governing the Company’s provision of electrical service as approved by the Board.
- (c) Any dispute concerning the interpretation of this Plan shall be determined:
 - (i) in the first instance, by the Company, acting reasonably; and
 - (ii) if required, by the Board whose decision shall be considered final.

SECTION 2 CUSTOMER REFUND ELIGIBILITY

2.1 Customers Entitled to Refund

Each Customer that (i) received Service during the period from January 1, 2007 to August 31, 2013, and (ii) paid for that Service is entitled to a Refund under the terms of the Plan.

2.2 Determining the Basic Refund Amount

The Basic Refund Amount to which a Customer is entitled under the Plan shall be calculated in accordance with Schedule 1 to the Plan.

2.3 Taxes to be Included in Refund

Taxes on the Basic Refund Amount that were paid by a Customer for Service will be included in that Customer’s Refund.

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2.4 Informing Customers of the Plan

- (a) The Company shall take reasonable steps to inform Customers of the terms of the Plan and their entitlement to receive Refunds thereunder.
- (b) For Customers who are no longer receiving electrical service from the Company, reasonable notice of the terms of the Plan may include amongst other things, public advertisements throughout Canada.

2.5 Proof of Eligibility

- (a) The Company shall be entitled to request a Customer provide reasonable proof of that Customer's eligibility to receive a Refund under the Plan.
- (b) Should a Customer be delayed in the provision of reasonable proof of that Customer's eligibility to receive a refund under the Plan, that Customer shall not be entitled to (i) receive a Refund during the period of delay, or (ii) receive interest on a Refund for the period of delay.

2.6 Special Cases

For Customers entitled to a Refund under the terms of the Plan that have died, have become legally incapacitated, or are bankrupt, the Company shall be entitled to pay the Refund to the Customer's estate, legal representative or trustee as appropriate. Payment of the Refund to such an estate, legal representative, or trustee, as the case may be, shall be conclusively considered to be payment of the Refund to the Customer.

SECTION 3 PAYMENT OF CUSTOMER REFUNDS

3.1 Determination of Payment Date

The Company and Hydro shall agree from time to time on a Payment Date or Payment Dates for payment of Refunds to Customers entitled to Refunds under the Plan.

3.2 Credit to Existing Balance

The Company will be entitled to credit a Refund to which a Customer is entitled under the Plan against an existing outstanding balance owed by that Customer to the Company.

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3.3 Payments by Cheque

Any Refund, or portion of a Refund, following credit against an outstanding balance under Section 3.2 hereof, will be paid by cheque issued within 3 days of the Payment Date to the Customer entitled thereto.

3.4 Other Forms of Payment

The Company may agree with its Customers to other forms of payment of a Refund.

SECTION 4 TRANSFERS FROM RSP

4.1 Requests for Transfers from the RSP

No later than 10 business days prior to a Payment Date, the Company shall request Hydro to transfer immediately available funds from the RSP to the Designated Account to permit the Company to provide Refunds to Customers on the Payment Date.

4.2 Taxes on Fund Transfer

Transfers of funds from the RSP to the Designated Account made under Section 4.1, shall include appropriate Taxes.

4.3 Timing of Funds Transfer

Upon receipt of a request made under Section 4.1, Hydro shall transfer immediately available funds from the RSP to the Designated Account no later than 2 business days before the Payment Date.

SECTION 5 PLAN ADMINISTRATION

5.1 Plan Costs

The Plan has been created to disburse amounts due to Customers as requested by Orders in Council *O.C. 2013-089 and O.C. 2013-207*. Both Refunds payable to Customers under the Plan and the costs incurred to administer the Plan shall be funded by amounts in the RSP.

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5.2 Recovery of Plan Administration Costs

- (a) The Company shall be entitled to recover its reasonable costs of administering the Plan from the RSP.
- (b) The Company shall provide Hydro with quarterly accounts indicating the costs incurred in administering the Plan.
- (c) Hydro shall reimburse the Company for costs of administering the Plan within 30 days of receipt of an account indicating the Company costs of administering the Plan for a quarter.

5.3 Liability

The Company shall not be liable to any party for any reason whatsoever associated with the administration of the Plan except in cases where the Company has been grossly negligent.

5.4 Directions

The Company may, by application to the Board, seek directions on any matter related to the administration of the Plan, amendments to the Plan, or any matter related to the provision of Refunds to Customers under the Plan.

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SCHEDULE 1 CALCULATION OF BASIC REFUND AMOUNT

1. The Basic Refund Amount for each Customer will be based on that Customer's kilowatt hour ("kWh") energy consumption. For each Customer, the Basic Refund Amount will be calculated by multiplying (i) the kWh Refund Rate by (ii) the Customer's kWh Usage.
2. The kWh Refund Rate (expressed in cents per kWh and calculated to the nearest 0.001) shall be calculated as follows:

$$A / B = C$$

Where:

A = the total amount (in dollars) estimated to be available for Refund to all Newfoundland Power Customers.

B = the total energy usage (in kWhs) billed to all Newfoundland Power Customers for the period of January 1, 2007 to August 31, 2013.

C = the kWh Refund Rate.

3. A Customer's kWh Usage shall be calculated as the sum of the kWh energy usage reflected on that Customer's electric bills (or, in the case of Street and Area Lighting Service, calculated in accordance with Section II (3) of the Company's Rate Stabilization Clause) for the period of January 1, 2007 to August 31, 2013.
4. The Basic Refund Amount for each Customer (expressed in dollars to nearest \$0.01) shall be calculated as follows:

$$C \times D = E$$

Where:

C = the kWh Refund Rate.

D = the Customer's kWh Usage.

E = the Basic Refund Amount

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NEWFOUNDLAND & LABRADOR HYDRO RSP SURPLUS:

NEWFOUNDLAND POWER CUSTOMER REFUND PLAN

SYNOPSIS

A. RSP Utility Surplus:

- The Customer Refund Plan will refund Newfoundland & Labrador Hydro's ("Hydro") RSP utility surplus to Newfoundland Power's customers.
- An estimated \$138 million utility surplus balance is forecast in Hydro's RSP for July 1st, 2016.
- Approximately \$129 million of the forecast July 1st, 2016 balance is attributable to Newfoundland Power's customers' energy usage.

B. Refund Amounts:

- Refunds payable under the Customer Refund Plan will be based upon customer's energy usage (kWhs) from January 1st, 2007 to August 31st, 2013 (the "refund period").
- The refund payable will be approximately 0.355 ¢/kWh for energy paid for by customers over the refund period.

C. Customer Eligibility:

- Approximately 267,000 Newfoundland Power customers (and a total of approximately 507,000 customer accounts) are eligible for refunds under the Customer Refund Plan.
- Approximately 186,000 eligible Newfoundland Power customers currently have a service account with the Company and so can be conveniently located and informed of their eligibility for a refund.
- Approximately 81,000 eligible *former* Newfoundland Power customers do not currently have a service account with the Company and so efforts will be necessary to inform them of their eligibility for a refund.

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NEWFOUNDLAND & LABRADOR HYDRO RSP SURPLUS:

NEWFOUNDLAND POWER CUSTOMER REFUND PLAN

SYNOPSIS

D. Timelines & Administration:

- Customer Refund Plan Approval & Preparation
 - (i) Customer Refund Plan agreed by Newfoundland Power, Newfoundland & Labrador Hydro, and Consumer Advocate.
 - (ii) Customer Refund Plan submitted to Public Utilities Board for approval.
 - (iii) Preparation for Customer Refund Plan implementation (approx. 4 months).
- Customer Refund Plan Implementation
 - (i) Issue refunds to existing customers.
 - (ii) Identify eligible former customers.
 - (iii) Issue refunds to eligible former customers.
 - (iv) Closure of Customer Refund Plan.
- Newfoundland Power's cost to administer the Customer Refund Plan is estimated to be approximately \$ 2.5 million.