

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 (the "EPCA") and the *Public Utilities Act, RSNL 1990*, Chapter P-47 (the "Act"); and

IN THE MATTER OF a General Rate Application filed by Newfoundland and Labrador Hydro to establish customer electricity rates for 2018 and 2019.

SUPPLEMENTAL SETTLEMENT AGREEMENT

WHEREAS Newfoundland and Labrador Hydro ("Hydro" or the "Applicant") has applied to the Board of Commissioners of Public Utilities (the "Board") to establish customer electricity rates for 2018 and 2019 (the "Application"); and

WHEREAS the Consumer Advocate; Newfoundland Power Inc. ("Newfoundland Power"); Corner Brook Pulp and Paper Limited, NARL Refining LP and Vale Newfoundland and Labrador Limited (the "Industrial Customer Group"); the customers on the Labrador Interconnected System ("Labrador Interconnected Group") and the Iron Ore Company of Canada("IOC") have been granted Registered Intervenor status; and

WHEREAS the Applicant and the Consumer Advocate, Newfoundland Power, and the Industrial Customer Group (the "Parties"), with participation by Board Hearing Counsel, have engaged in negotiations regarding Island Interconnected System and other issues.

TERMS OF AGREEMENT

1. The Parties Jointly advise the Board that certain issues arising from the Application have been settled by negotiations between them in accordance with this Supplemental Settlement Agreement (the "Supplemental Settled Issues").
2. The Parties recommend that the Board implement the agreement of the Parties regarding the Supplemental Settled Issues in its Order.
3. The Parties consent to the admission in the record of this Application of all pre-filed testimony, exhibits and responses to requests for information pertaining to the Supplemental Settled Issues. At the hearing of the Application, the Parties do not intend to present evidence, examine, cross-examine or present argument in relation to the Supplemental Settled Issues beyond that which is reasonably necessary to assist the Board's understanding, and to explain or clarify the Parties' agreement concerning the Supplemental Settled Issues, except insofar as may be necessary to address issues that have not been settled by this Supplemental Settlement Agreement.

4. This Supplemental Settlement Agreement represents a reasoned consensus on the Supplemental Settled Issues and the agreements on individual issues are not intended to be severable.
5. This Supplemental Settlement Agreement does not dispose of all issues arising from the Application. It does not limit the rights of the Parties to present evidence, examine, cross-examine and present argument at the hearing of the Application on issues that have not been settled by this Agreement.
6. This Supplemental Settlement Agreement is without prejudice to the positions the Parties may take in proceedings other than the Application. It sets no precedent for any issue addressed in this Supplemental Settlement Agreement in any future proceeding or forum. For greater certainty, all cost of service and rate design matters addressed in this Supplemental Settlement Agreement will be open for review in the Cost of Service and Rate Design Methodology Review to be filed by the Applicant pursuant to paragraph 22 of the Settlement Agreement dated April 11, 2018 and filed in this proceeding.

MATTERS AGREED UPON

Cost of Service

7. The Parties agree on the cost of service methodologies in Exhibit 14 (2018 Test Year Cost of Service) and Exhibit 15 (2019 Test Year Cost of Service) with respect to:
 - a. the classification of wind energy purchases as 100% energy related;
 - b. the specific assignment of the frequency converter to Corner Brook Pulp and Paper (CBPP) Limited;
 - c. the 2017 GRA proposed methodology for determining the test year operating and maintenance costs to be recovered through specifically assigned charges to Industrial Customers; and
 - d. the functionalization of transmission assets TL 267 as 100% demand-related.

Pilot Agreement with Corner Brook Pulp and Paper Limited

8. The Parties agree that the generation credit agreement between Hydro and CBPP which was approved on a pilot basis by the Board in Order No. P.U. 4(2012) should be continued on a pilot basis.

Newfoundland Power Wholesale Rate

9. The Parties agree that:
 - a. Newfoundland Power's demand charge will equal \$5.00 per kW of billing demand;

- b. The sizing of Newfoundland Power's first block energy component will be determined in consultation with Newfoundland Power prior to the filing of Hydro's 2017 GRA Compliance filing.
- c. Newfoundland Power's approved 2019 Test Year revenue requirement not recovered through the demand charge and the end-block energy charge will be used to compute the first block energy charge.
- d. Newfoundland Power's end-block firm energy rate for use in Hydro's 2017 GRA Compliance filing will be determined based on the most current fuel rider forecast (either March or September) divided by the approved 2019 Test Year Holyrood No. 6 fuel conversion rate and expressed on a cent per kWh basis.
- e. The wholesale rate will continue to include the Generation Credit and Curtailable Credit in computation of the billing demand of Newfoundland Power.
- f. The Generation Credit will equal 118,054 kW for the 2018 Test Year and the 2019 Test Year.

Allocation and Recovery of 2015, 2016 and 2017 Deferred Supply Costs

Isolated Systems Deferral Account

- 10. The Parties agree that Newfoundland Power's portion of the credit balance of the Isolated Systems Deferral Account as of December 31, 2017 should be calculated based on the proportion of the 2018 Test Year Rural Deficit allocated to Newfoundland Power.
- 11. The Parties agree that the Newfoundland Power credit from the Isolated Systems Deferral Account will be applied to reduce the 2018 Revenue Deficiency approved by the Board to be recovered from Newfoundland Power.

Energy Supply Cost Variance and Holyrood Conversion Rate Deferral Accounts

- 12. The Parties agree that the deferred supply costs in the Energy Supply Cost Variance and Holyrood Conversion Rate Deferral Accounts of 2015, 2016 and 2017 as approved by the Board for recovery from customers (the "Approved Deferred Supply Costs") will be allocated between customer classes in a manner consistent with the fuel cost allocation methodology used in the Rate Stabilization Plan (RSP). The allocation percentage will be based on the RSP energy allocators consistent with the year in which the Approved Deferred Supply Costs were incurred.
- 13. The Parties agree that the Approved Deferred Supply Costs allocated to each of Newfoundland Power and Island Industrial Customers will be recovered through rate riders determined separately for each customer class and computed reflecting a 20 month recovery period beginning with the effective date of the 2017 GRA final rates approved by the Board.

Supply Costs for Establishing 2018 and 2019 Test Year Revenue Requirements

14. The Parties agree that the Expected Supply Scenario as presented in Hydro's Additional Cost of Service Information dated March 22, 2018 (the "Expected Supply Scenario") and not the Deferral Account Scenario reflected in Hydro's GRA will be used as the basis for Hydro's revenue requirement for the 2018 and 2019 Test Years.
15. The Parties agree that the cost of service methodology proposed in the Expected Supply Scenario should be used to allocate costs to customer groups for the 2018 and 2019 Test Years.
16. The Parties agree that the Holyrood conversion rate for the 2019 Test Year used in setting customer rates is 583 kWh per barrel.
17. Notwithstanding paragraphs 15 and 16 herein, the Parties agree that the appropriateness of all costs proposed in the Expected Supply Scenario (save and except for any costs agreed and/or excluded pursuant to the Settlement Agreement of April 11, 2018) remain unresolved and shall be the subject of viva voce evidence at the hearing of the Application.
18. The Parties agree to the implementation of the proposed Revised Energy Supply Cost Variance Deferral Account as filed in Appendix L of Hydro's Additional Cost of Service Information dated March 22, 2018 with the effective date to be determined by the Board.
19. The Parties agree that the 2019 Test Year cost of No. 6 fuel to be used in Hydro's 2017 GRA Compliance filing shall be set based on the most current fuel rider forecast (either March or September).

2018 Revenue Deficiency or Excess

20. The Parties agree that for Newfoundland Power and Industrial Customers any revenue deficiency or excess revenues arising from the difference between actual rates charged in 2018 and those which recover Hydro's approved 2018 Revenue Requirement by customer class, will be recovered or refunded through rate riders determined separately for each customer class and computed reflecting a 20 month period beginning with the effective date of final rates as approved by the Board in the 2017 GRA Compliance Application.
21. The Parties agree that for Hydro Rural Government Diesel customers that any class revenue deficiency or excess revenues arising from the difference between actual rates charged in 2018 and those which recover Hydro's approved 2018 Revenue Requirements by class, will be recovered or refunded through cost amortizations reflected in customer rates and computed reflecting a 20 month period beginning with the effective date of final rates as approved by the Board in the 2017 GRA Compliance Application.

Capacity Assistance Agreements

- 22. The Parties agree that in its 2017 GRA Compliance filing, Hydro will reduce its 2019 Test Year revenue requirement to reflect the capacity assistance agreements to be in effect for the 2018/2019 Winter Season. The removal of the costs of the capacity assistance agreements that have not been renewed for the 2018/2019 winter season will reduce the 2019 Test Year revenue requirement by approximately \$600,000.

General

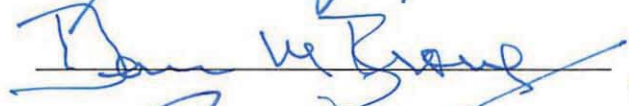
- 23. This Supplemental Settlement Agreement removes the requirement for Cost of Service Experts (Patrick Bowman, C. Douglas Bowman, Bruce Chapman and John T. Browne) to appear before the Board in the hearing of the Application.
- 24. The Parties agree that issues not included in the Settlement Agreement dated April 11, 2018 and this Supplemental Settlement Agreement remain unresolved and will be the subject of viva voce evidence at the hearing of the Application.

Agreed to as of the day of July, 2018.

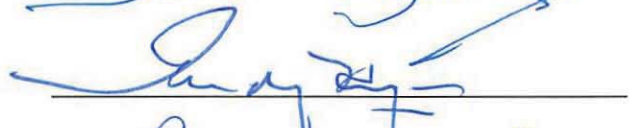
For Newfoundland and Labrador Hydro:



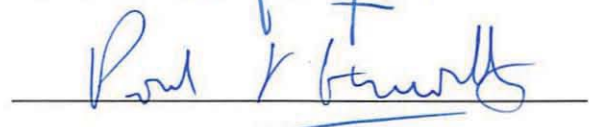
For the Consumer Advocate:



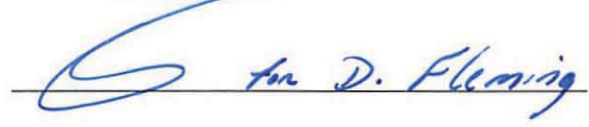
For Newfoundland Power Inc.:



For the Industrial Customer Group:







For Board Hearing Counsel:

