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May 27, 2022

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

Re: Application for July 1, 2022 Utility Rate Adjustments

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") application for Utility Rate Adjustments, including updates to the Rate Stabilization Plan ("RSP") Current Plan Adjustment and the Utility Conservation and Demand Management ("CDM") Cost Recovery Adjustment, and the addition of a Project Cost Recovery Rider, all to become effective July 1, 2022 ("Application").

Hydro's proposals are as follows:

- A revised RSP Current Plan Adjustment of (0.023) cents per kWh;
- A revised CDM Cost Recovery Adjustment of 0.035 cents per kWh;
- A Project Cost Recovery Rider of 0.798 cents per kWh; and
- Approval of the Utility Rate Sheet attached as Schedule 4 to the Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/sk

Encl.

ecc:

Board of Commissioners of Public Utilities
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Island Industrial Customer Group
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Denis J. Fleming, Cox & Palmer
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Application for July 1, 2022 Utility Rate Adjustments

May 27, 2022



An application to the Board of Commissioners of Public Utilities

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“*Hydro*”) pursuant to Subsection 70(1) and Section 71 of the *Act*, for the approval of: (i) an updated Rate Stabilization Plan (“*RSP*”) Current Plan Adjustment for Newfoundland Power Inc. (“*Newfoundland Power*”), (ii) an updated Conservation and Demand Management (“*CDM*”) Cost Recovery Adjustment for Newfoundland Power, and (iii) implementation of a Project Cost Recovery Rider for Newfoundland Power (“*Utility Rate Adjustments*”), all to be made effective July 1, 2022

To: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.
2. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submit, for the approval of the Board, the rates, tolls, and charges for the service provided by the public utility and the rules and regulations that relate to that service.
3. Section 70(1) of the *Act* provides that a public utility shall not charge, demand, collect, or receive compensation for a service performed by it until the Board has approved a schedule of rates, tolls, and charges for the services provided by the public utility.
4. On June 18, 2021, in Board Order No. P.U. 22(2021),¹ the Board approved Hydro’s proposal of a Utility RSP Fuel Rider of (0.151) cents per kWh to apply to Newfoundland Power based on the

¹ *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 22(2021), Board of Commissioners of Public Utilities, June 18, 2021.

- No. 6 fuel forecast of \$86.55 per barrel (CDN). In that Order, the Board also approved a Utility RSP Current Plan Adjustment of 0.749 cents per kWh and a CDM Cost Recovery Adjustment of 0.031 cents per kWh, all effective as of July 1, 2021.
5. On December 8, 2021, the Board issued Order No. P.U. 33(2021)² outlining its decisions and directions regarding Hydro's Supply Cost Accounting Application.³ The Order approved Hydro's proposal to establish the Supply Cost Variance Deferral Account to defer payments under the Muskrat Falls Project agreements, and for Hydro to begin charging Island Interconnected System supply cost variances to the Supply Cost Variance Deferral Account as of the effective date of the account. As part of the Order, the Board approved the deferral, through the Supply Cost Variance Deferral Account, of future fuel cost variations from the Holyrood Thermal Generating Station ("Holyrood TGS") (i.e., No. 6 fuel).
 6. The Board did not approve Hydro's proposal to discontinue the RSP, the Revised Energy Supply Cost Variance Deferral Account, or the Holyrood Conversion Rate Deferral Account. The Board ordered that these accounts should be maintained for the transparent and timely recovery of their historic balances and that 2022 rate adjustments should proceed as scheduled on January 1 and July 1. The Board directed Hydro to file a subsequent application reflecting the findings detailed in the Order.
 7. Hydro filed its subsequent application on January 21, 2022.⁴ In Board Order No. P.U. 4(2022),⁵ the Board approved the RSP Rules for Balance Disposition to provide for the disposition of balances accumulated up to October 31, 2021. The newly approved RSP Rules for Balance Disposition also incorporated the elimination of the RSP Fuel Rider.
 8. The RSP Rules for Balance Disposition require Hydro to apply annually to the Board for approval of revised RSP Current Plan Adjustments to become effective for Newfoundland Power as of July 1 of each year. Additionally, the CDM Cost Deferral Account requires Hydro to update the CDM Cost Recovery Adjustment applicable to Newfoundland Power with the adjustment rate commencing on July 1 of each year.

² *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 33(2021), Board of Commissioners of Public Utilities, December 8, 2021.

³ "Supply Cost Accounting Application," Newfoundland and Labrador Hydro, July 29, 2021.

⁴ "Supply Cost Accounting Compliance Application," Newfoundland and Labrador Hydro, January 21, 2022.

⁵ *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.

9. On March 31, 2022, Hydro applied to the Board for approval of the transfer of the 2021 Supply Cost Deferral of approximately \$11.4 million to Newfoundland Power's RSP Current Plan balance effective March 31, 2022.⁶ This was approved in Board Order No. P.U. 16(2022).⁷

B. Application:

Fuel Rider

10. The Board's approval, in Order No. P.U. 33(2021), of the deferral of future fuel cost variations from the Holyrood TGS (i.e., No. 6 fuel) through the Supply Cost Variance Deferral Account and the Board's approval, in Order No. P.U. 4(2022), of the RSP Rules for Balance Disposition, resulted in the elimination of the RSP Fuel Rider.
11. The discontinuance of the RSP Fuel Rider, effective July 1, 2022, will result in an estimated average end-customer bill increase of 1.1% (1.7% increase wholesale).

RSP Current Plan Adjustment

12. Section C(1.0) of the RSP Rules for Balance Disposition outlines the method for determining the Utility RSP Current Plan Adjustment, which computes a new recovery adjustment based upon the March 31 RSP balance.
13. As approved by the Board, in Order No. P.U. 4(2022), the Supply Cost Variance Deferral Account became effective as of November 1, 2021, reflecting the month in which the payments under the Muskrat Falls Power Purchase Agreement ("Muskrat Falls PPA") were initiated. As such, the March 31, 2022 Rate Stabilization Plan Report does not contain any supply cost variance activity after October 31, 2021 (other than the accrual of finance charges, recording RSP rate adjustments activity in the RSP Current Plan balances, and the allocation of the Hydraulic Production Variation component in accordance with the RSP Rules for Balance Disposition).
14. Appendix A to Schedule 1 of the application provides the Rate Stabilization Report for the period ending March 31, 2022.⁸

⁶ "Application for the Recovery of Deferred 2021 Supply Costs," Newfoundland and Labrador Hydro, March 31, 2022.

⁷ *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 16(2022), Board of Commissioners of Public Utilities, May 6, 2022.

⁸ "Rate Stabilization Report for the Period Ended March 31, 2022," Newfoundland and Labrador Hydro, rev. May 19, 2022 (originally filed May 15, 2022).

15. Appendix A to Schedule 1 of the application shows a balance of \$7.6 million in the RSP Current Plan owing from customers as of March 31, 2022. This includes the transfer of the approximately \$11.4 million in 2021 deferred Supply Costs to the Utility Current Plan Balance approved in Board Order No. P.U. 16 (2022). Hydro's application seeks approval of an updated Utility RSP Current Plan Adjustment of (0.023) cents per kWh effective July 1, 2022. Appendix B to Schedule 1 of the application provides the calculation of the proposed Utility RSP Current Plan. This will replace the existing Utility RSP Current Plan Adjustment of 0.749 cents per kWh.
16. The update to the RSP Current Plan Adjustment alone would result in an average end-customer bill decrease of 5.8% (8.9% wholesale).

CDM Cost Recovery Adjustment

17. The CDM Cost Recovery Adjustment is updated annually to provide for the recovery of the costs charged annually to the CDM Cost Deferral Account over a seven-year period.
18. Appendix C to Schedule 1 of the application provides the calculation of the revised CDM Cost Recovery Adjustment, which would replace the existing CDM Cost Recovery Adjustment effective July 1, 2022. This proposal is an updated CDM Cost Recovery Adjustment of 0.035 cents per kWh, an increase of 0.004 cents per kWh from the existing CDM Cost Recovery Adjustment of 0.031 cents per kWh.
19. The annual update to the RSP and CDM rate adjustments noted above would result in an approximate 7.1% wholesale rate decrease effective July 1, 2022 (an estimated 4.7% decrease for end customers of Newfoundland Power). The calculation of the estimated rate impacts associated with the updates to the Utility RSP and CDM rate adjustments is provided in Appendix D to Schedule 1 of the application.
20. Based on discussions with Newfoundland Power, Hydro understands that the estimated overall average rate change for end customers (including the effects of Newfoundland Power's Rate Stabilization Clause Adjustment updates) would be an approximate 6.4% decrease. Hydro believes that such a decrease, in proximity to the likely rate increases necessary to begin recovery of the Muskrat Falls Project costs, would contribute to rate stability concerns.

Supply Cost Variance Deferral Account – Project Cost Recovery Rider

21. Order-in-Council OC2013-343, included within Schedule 2 of the application, required the full Muskrat Falls Project, including Muskrat Falls generating facilities, Labrador Transmission Assets, and the Labrador-Island Link (“LIL”), to be commissioned or nearing commissioning before Hydro could be permitted to recover project costs through customer rates. Hydro is currently making payments under the Muskrat Falls PPA as the Muskrat Falls Hydroelectric Generating Facility and the Labrador Transmission Assets are already commissioned. Due to delays with the Final Bipole Software, the timing of when the LIL will be commissioned and Hydro will be required to make payments pursuant to the Transmission Funding Agreement is uncertain. Under the original Order-in-Council, OC2013-343, Hydro would be unable to recover project costs through customer rates until the LIL was commissioned.
22. Order in Council OC2022-120 amended the wording of OC2013-343, permitting Hydro to begin recovery of the Muskrat Falls Project payments that Hydro is making under the Muskrat Falls PPA associated with the commissioning of the Muskrat Falls Hydroelectric Generating Facility and the Labrador Transmission Assets, which costs would be recovered through rates charged to Island Interconnected System customers without disallowance. The amending Order-in-Council, OC2022-120, is included within Schedule 2 of the application.
23. Subsequently, the Government of Newfoundland and Labrador (“Government”) provided correspondence dated May 20, 2022 to Hydro’s Board of Directors in which the Government referenced its stated policy goal that electricity rates be maintained at a manageable level. The correspondence notes Government’s request that Hydro file its RSP updates with a view to maintaining retail electricity rates as close to current levels as possible for the July 1, 2022 adjustment. The correspondence is attached to this application as Schedule 3.
24. To comply with Government’s request, while still recovering a portion of Muskrat Falls Project payments, Hydro is proposing to implement a Project Cost Recovery Rider of 0.798 cents per kWh. The payments made by Newfoundland Power as a result of the implementation of the Project Cost Recovery Rider will be credited to the ‘Project Cost Recovery – Utility’ component of the Supply Cost Variance Deferral Account.

25. The proposed Project Cost Recovery Rider in combination with the RSP and CDM Cost Recovery Adjustments would increase the forecast average end-customer bill by 1.4% (2.1% increase wholesale) effective July 1, 2022. These billing impacts are illustrated in Appendix E to Schedule 1 of the application. Hydro's understanding is that Newfoundland Power's subsequent application to update its Rate Stabilization Account and Municipal Tax Adjustment factors, when combined with Hydro's proposals herein, will result in retail electricity rates continuing to be close to their current levels after July 1, 2022.
26. Schedule 4 of the application provides the proposed Utility rate sheets with an effective date of July 1, 2022. The proposed rate sheets no longer contain an RSP Fuel Rider and reflect: (i) the revised RSP Current Plan Adjustment of (0.023) cents per kWh; (ii) CDM Cost Recovery Adjustment of 0.035 cents per kWh; and (iii) a Project Cost Recovery Rider of 0.798 cents per kWh.

C. Newfoundland and Labrador Hydro's Requests

27. Hydro requests the Board approve:
- (i) A revised RSP Current Plan Adjustment of (0.023) cents per kWh for the Utility Rate to become effective July 1, 2022;
 - (ii) A revised CDM Cost Recovery Adjustment of 0.035 cents per kWh for the Utility Rate to become effective July 1, 2022;
 - (iii) A Project Cost Recovery Rider of 0.798 cents per kWh for the Utility Rate to become effective July 1, 2022; and
 - (iv) The Utility Rate Sheet, attached as Schedule 4 of this application.

D. Reason for Approval

28. Approval by the Board of the proposed RSP Adjustments for the Utility Rate, the revised CDM Cost Recovery Adjustment for the Utility Rate, and the Project Cost Recovery Rider for the Utility Rate all effective July 1, 2022, will provide a reasonable recovery of prudently incurred costs that will contribute to rate stability for customers while being consistent with the Government's stated policy goal that electricity rates be maintained at a manageable level. Additionally, in the case of the proposed RSP Adjustment and CDM Cost Recovery Adjustment, Hydro's proposals are consistent with the deferral account recovery mechanisms approved by the Board.

E. Communications

29. Communications with respect to this Application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the province of Newfoundland and Labrador this 27th day of May 2022.

NEWFOUNDLAND AND LABRADOR HYDRO



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Counsel for the Applicant
Newfoundland and Labrador Hydro,
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Schedule 1

Evidence Supporting Proposed Utility Rate Adjustments

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1.0 Background

On December 8, 2021, the Board of Commissioners of Public Utilities (“Board”) issued Board Order No. P.U. 33(2021) outlining its decisions and directions regarding the Supply Cost Accounting Application¹ and approved Newfoundland and Labrador Hydro’s (“Hydro”) proposal to establish the Supply Cost Variance Deferral Account to defer costs under the Muskrat Falls Project agreements. Although the Board provided approval to Hydro to begin charging Island Interconnected System supply costs variances to the account as of the effective date of the deferral account, the Board ruled the Rate Stabilization Plan (“RSP”), the Revised Energy Supply Cost Variance Deferral Account, and the Holyrood Conversion Rate Deferral Account should be maintained for the transparent and timely recovery of the historic balances.² The Board directed Hydro to file a subsequent application reflecting the findings and determinations of the Board resulting from the Supply Cost Accounting Application.³

In Board Order No. P.U. 4(2022),⁴ the Board approved the Supply Cost Variance Deferral Account to become effective November 1, 2021. The Board also approved the RSP Rules for Balance Disposition account, which incorporated:

- The cessation of supply cost variance activity in the RSP after October 31, 2021;
- The allocation of the December 31, 2021 balance in the RSP Hydraulic Production Variation component to be recovered in 2022 based on 12 months-to-date kWh as of October 31, 2021; and
- The elimination of the RSP Fuel Rider.

The RSP Rules for Balance Disposition require Hydro to file an application with the Board to update the Utility RSP Current Plan Adjustment effective January 1 and July 1 of each year. In accordance with the approved Conservation and Demand Management (“CDM”) Cost Deferral Account definition,⁵ Hydro is also required to update Newfoundland Power Inc.’s (“Newfoundland Power”) CDM Cost Recovery

¹ “Supply Cost Accounting Application,” Newfoundland and Labrador Hydro, July 29, 2021.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 33(2021), Board of Commissioners of Public Utilities, December 8, 2021, p. 6/28–33.

³ “Supply Cost Accounting Compliance Application,” Newfoundland and Labrador Hydro, January 21, 2022.

⁴ *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.

⁵ Approved in *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 22(2017), Board of Commissioners of Public Utilities, June 14, 2017.

1 Adjustment on July 1 of each year. Updating the RSP and CDM Cost Recovery adjustments alone would
2 result in an average end-customer billing decrease of 4.7% (7.1% wholesale), effective July 1, 2022.
3 Based on discussions with Newfoundland Power, the average rate change for end customers (including
4 the effects of Newfoundland Power’s Rate Stabilization Clause Adjustment updates) was projected to be
5 a decrease of approximately 6.4%.⁶ Such a decrease, when future rate increases would be necessary to
6 begin recovery of the Muskrat Falls Project, would contribute to rate stability concerns.

7 Under the authority of the *Electrical Power Control Act, 1994*, the Lieutenant Governor in Council, in
8 Order-in-Council OC2013-343, included within Schedule 2, directed the Board to adopt a policy wherein
9 costs incurred by Hydro that are payable to an entity to which the Muskrat Falls Exemption Order,
10 OC2013-342, applies are to be recovered by Hydro in its rates charged to the appropriate classes of
11 customers served from the Island Interconnected System. The Muskrat Falls Exemption Order, OC2013-
12 342, applies to: the entities that own and operate the Muskrat Falls Hydroelectric Generating Facility;
13 the Labrador Transmission Assets, which is the transmission line connecting the Churchill Falls
14 Generating Station and the Muskrat Falls Hydroelectric Generating Facility; and the Labrador-Island Link
15 (“LIL”), which starts from Muskrat Falls and terminates at the Soldiers Pond Converter Station. Order-in-
16 Council, OC2013-343, further stipulated that no amounts paid by Hydro should be recovered until the
17 Muskrat Falls Project was “. . . commissioned or nearing commissioning and Newfoundland and
18 Labrador Hydro is receiving services from such project.” Even though Hydro has been making payments
19 under the Muskrat Falls Power Purchase Agreement (“Muskrat Falls PPA”) since November 2021, Hydro
20 had not been able to begin cost recovery through customer rates, as the LIL has not yet been
21 commissioned.

22 Order-in-Council OC2022-120, issued May 16, 2022, included within Schedule 2 of the application, has
23 amended the wording of OC2013-343 such that the recovery payments that Hydro is making under the
24 Muskrat Falls PPA, associated with the commissioning of the Muskrat Falls Hydroelectric Generating
25 Facility and the Labrador Transmission Assets, is permitted once the Muskrat Falls Hydroelectric
26 Generating Facility and the Labrador Transmission Assets are commissioned and Hydro is receiving
27 services from these projects. As both of those conditions have been achieved, Hydro can now recover

⁶ Consists of 4.7% decrease from Hydro and 1.7% decrease from Newfoundland Power.

1 costs associated with the payments under the Muskrat Falls PPA, without disallowance, as required by
2 Order-in-Council OC2013-343.

3 On May 20, 2022, the Government of Newfoundland and Labrador (“Government”) provided a letter to
4 Hydro’s Board of Directors requesting that Hydro file its RSP application with a view to maintaining retail
5 electricity rates as close to current levels as possible for the July 1, 2022 adjustment. This letter is
6 attached as Schedule 3 of the application. Applying this approach would avoid a substantial decrease
7 contributing to higher rate increases required from customers in the future. Maintaining end-customer
8 rates approximately equal to current levels also provides time for the Government to implement its rate
9 mitigation plan. Therefore, Hydro’s application proposes the implementation of a Project Cost Recovery
10 Rider to apply to the wholesale rate and begin recovery of the Muskrat Falls Project cost payments being
11 made by Hydro under the Muskrat Falls PPA. Hydro’s proposed wholesale rate rider, in combination
12 with Hydro’s RSP and CDM Adjustment updates and the Rate Stabilization Account and Municipal Tax
13 Adjustment updates that Hydro understands will be made by Newfoundland Power, would mean that
14 no rate class is projected to receive an average rate increase effective July 1, 2022. The payments made
15 by Newfoundland Power as a result of the implementation of the Project Cost Recovery Rider will be
16 credited to the ‘Project Cost Recovery – Utility’ component of the Supply Cost Variance Deferral
17 Account.

18 This report provides evidence supporting Hydro’s proposals to: (i) update the Utility RSP Current Plan
19 Adjustment; (ii) update the Utility CDM Cost Recovery Adjustment;⁷ and (iii) implement a new Project
20 Cost Recovery Rider.

21 **2.0 Discontinuance of the RSP Fuel Rider**

22 There is no longer a provision within the RSP Rules for the inclusion of a fuel rider in updating the RSP
23 Adjustments effective July 1, 2022. The discontinuance of the RSP Fuel Rider results in the elimination of
24 the current rider that currently provides a billing credit of (0.151) cents per kWh to Newfoundland
25 Power. The RSP Fuel Rider discontinuance will contribute to an estimated 1.7% wholesale rate increase
26 (approximate \$8 million in annual billings to Newfoundland Power) effective July 1, 2022 (1.1%
27 estimated average increase to end customers).

⁷ Hydro will file a separate application to update the Industrial Customer CDM Cost Recovery Adjustment to become effective July 1, 2022.

1 **3.0 RSP Adjustments – Current Plan**

2 The March 31, 2022 RSP Report, included as Appendix A, is prepared in accordance with the approved
3 RSP Rules for Balance Disposition and does not contain any supply cost variance transfers subsequent to
4 October 31, 2021.

5 The RSP Current Plan reflects the historical cost variances arising from the operation of Hydro’s RSP,
6 which provides recovery of fuel cost variations on the Island Interconnected System as a result of
7 variations in hydraulic production, fuel price, and customer load requirements. The RSP Rules for
8 Balance Disposition require that the Utility Current Plan balance as at March 31 be used in the
9 computation of an updated RSP Current Plan Adjustment for Newfoundland Power to be made effective
10 July 1 of each year.

11 The Board approved the transfer of approximately \$11.4 million, associated with Hydro’s 2021 Deferred
12 Supply Costs,⁸ to the Utility RSP Current Plan Account effective March 31, 2022. Appendix B provides the
13 calculation of the proposed Utility RSP Current Plan Adjustment for Newfoundland Power to become
14 effective July 1, 2022, calculated in accordance with Section C(1.0) of the RSP Rules for Balance
15 Disposition.

16 The CDM Cost Recovery Adjustment is also required to be updated on July 1 each year to provide for the
17 recovery of the costs charged annually to the CDM Deferral Account over a seven-year period. Section
18 4.0 provides the evidence of the update to the CDM Cost Recovery Adjustment to become effective July
19 1, 2022.

20 Hydro’s proposed Utility RSP Current Plan Adjustment is (0.023) cents per kWh which will provide a
21 credit to customers of \$1.2 million for the period of July 1, 2022 to June 30, 2023. This reflects a
22 decrease of 0.772 cents per kWh when compared to the current RSP Current Plan Adjustment of
23 0.749 cents per kWh. The impact of the decrease in the Utility RSP Current Plan Adjustment is estimated
24 to reduce annual billings to Newfoundland Power by approximately \$42 million relative to existing rates.

⁸ Approved in *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 16(2022), Board of Commissioners of Public Utilities, May 6, 2022.

4.0 CDM Cost Recovery Adjustment

In Order No. P.U. 49(2016),⁹ the Board approved the exclusion of Hydro’s CDM program costs as an expense in the determination of revenue requirement through the deferral of these costs in the CDM Cost Deferral Account and their recovery through the CDM Cost Recovery Adjustment. Hydro is required to update the CDM Cost Recovery Adjustment annually to provide recovery, over a seven-year period, of costs transferred to the CDM Cost Deferral Account each year.¹⁰

Appendix C provides the calculation of the updated CDM Cost Recovery Adjustment for Newfoundland Power. The CDM Cost Recovery Adjustment is proposed to increase from 0.031 cents per kWh to 0.035 cents per kWh to become effective July 1, 2022. This reflects an approximate \$217,000 annual increase in billings to Newfoundland Power associated with the recovery of CDM costs.

Table 1 provides a comparison of the existing and the revised RSP and CDM Cost Recovery Adjustments. Table 1 also provides the estimated bill impacts for 2022–2023 solely as a result of the update to Hydro’s RSP factors and the CDM Recovery Adjustment.

Table 1: Summary of Utility RSP and CDM Cost Recovery Adjustments¹¹

Particulars	Existing (¢/kWh)	Revised (¢/kWh)	Wholesale (%)	End Customer ¹² (%)
RSP Fuel Rider	(0.151)	0.000	1.7	1.1
RSP Current Plan Adjustment	0.749	(0.023)	(8.9)	(5.8)
CDM Cost Recovery Adjustment	0.031	0.035	0.1	0.1
Total	0.629	0.012	(7.1)	(4.7)

Table 1 indicates that the overall impact of implementing the proposed RSP and CDM Cost Recovery Adjustments is an estimated average end-customer bill decrease of 4.7% (7.1% decrease wholesale) effective July 1, 2022. Appendix D provides the calculation of the estimated customer impacts. The projected rate change for end customers is also impacted by Newfoundland Power’s updates to its rates for the balances in its Rate Stabilization Account and updates to its Municipal Tax Factors. Based on discussions with Newfoundland Power, those updates would provide a further approximate 1.7% end-

⁹ *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 49(2016), Board of Commissioners of Public Utilities, December 1, 2016.

¹⁰ The CDM Cost Recovery Adjustment is calculated to recover the sum of individual amounts representing 1/7th of the transfer to the CDM Deferral Account for the previous year and the amortizations carried forward from prior years.

¹¹ End-customer impact is estimated as 66% of the wholesale rate impact.

¹² Percentages may not add due to rounding.

1 consumer decrease in addition to the estimated average 4.7% end-customer decrease associated with
 2 Hydro’s RSP and CDM rate adjustment update.

3 **5.0 Supply Cost Variance Deferral Account – Project Cost** 4 **Recovery Rider**

5 Although the amendment to Order-in-Council OC2013-343, through Order-in-Council OC2022-120,
 6 permits Hydro to recover the costs incurred through payments under the Muskrat Falls PPA,
 7 Government has requested that Hydro form its proposals in such a way as to maintain retail electricity
 8 rates as close to current levels as possible. As such, Hydro’s proposed Project Cost Recovery Rider of
 9 0.798 cents per kWh was calculated to provide no rate increase, on average, for retail rate classes
 10 effective July 1, 2022. Appendix E provides the calculation of the estimated customer impacts. The
 11 Project Cost Recovery Rider is estimated to recover approximately \$43 million in Project costs over a 12-
 12 month period from Newfoundland Power.¹³ The payments made by Newfoundland Power as a result of
 13 the implementation of the Project Cost Recovery Rider will be credited to the Project Cost Recovery -
 14 Utility component of the Supply Cost Variance Deferral Account.

15 Table 2 summarizes the forecast customer bill impacts including the proposed Project Cost Recovery
 16 Rider.

Table 2: Estimated Rate Impacts of Proposed July 1, 2022 Rate Change

Particulars	Existing (¢/kWh)	Proposed (¢/kWh)	Wholesale (%)	End Customer (%)
RSP Fuel Rider	(0.151)	0.000	1.7	1.1
RSP Current Plan Adjustment	0.749	(0.023)	(8.9)	(5.8)
CDM Cost Recovery Adjustment	0.031	0.035	0.1	0.1
Project Cost Recovery Rider	0.000	0.798	9.2	6.0
Total	0.629	0.810	2.1	1.4

17 Table 2 shows an estimated retail rate increase of 1.4% resulting from the change in the wholesale rate
 18 to Newfoundland Power. Based on discussions with Newfoundland Power, the update of the
 19 Newfoundland Power Rate Stabilization Clause and Municipal Tax Factor Adjustments will more than

¹³ Forecast collection from Hydro rural customers is approximately \$4M.

1 offset the impact of the wholesale rate change and avoid a rate increase, on average, for any retail rate
2 class.

3 **6.0 Conclusion**

4 In accordance with the Government's request to keep retail rates as close to current levels as possible
5 and the Government's direction that enables Hydro to begin cost recovery of Hydro's payments under
6 the Muskrat Falls PPA, Hydro proposes to implement a Project Cost Recovery Rider of 0.798 cents per
7 kWh effective July 1, 2022. The implementation of the proposed Project Cost Recovery Rider in
8 combination with the update of the RSP adjustments and the CDM Cost Recovery Adjustment will avoid
9 a projected 6.4% customer rate decrease while Government's rate mitigation plan is being finalized.

10 Revised Utility rate sheets reflecting Hydro's proposals for the RSP Adjustment, CDM Cost Recovery
11 Adjustment, and the Project Cost Recovery Rider are included as Schedule 4 to Hydro's application.

Appendix A

Rate Stabilization Plan Report

for the Period Ended March 31, 2022

Newfoundland and Labrador Hydro
Rate Stabilization Plan Report
March 31, 2022

Summary of Key Facts

The Rate Stabilization Plan ("RSP") of Newfoundland and Labrador Hydro ("Hydro") was established for Hydro's Utility customer, Newfoundland Power Inc. ("Newfoundland Power") and Island Industrial customers to smooth rate impacts for variations between actual results and test year cost of service estimates for:

- Hydraulic production;
- No. 6 fuel costs at Hydro's Holyrood Thermal Generating Station;
- Customer load (Utility and Island Industrial); and
- Rural rates.

In Board Order No. P.U. 33(2021), the Board of Commissioners of Public Utilities ("Board") approved the Supply Cost Variance Deferral Account to deal with future supply cost variances on the Island Interconnected System beginning in the month in which Hydro was required to begin payments under the Muskrat Falls Purchase Power Agreement (i.e., November 2021). The approval of the Supply Cost Variance Deferral Account discontinued transfers to the RSP, effective as of the implementation of the Supply Cost Variance Deferral Account, resulting from variations in future costs associated with the test year cost of service estimates for the items listed above. However, the Board directed that the RSP balances be maintained for the transparent and timely recovery of historical balances. The rules provide for the disposition of historical balances in accordance with the RSP Rules previously approved by the Board in Board Order No. P.U. 4(2022).

The Supply Deferral Accounts were approved for recovery from the current plan balances of Newfoundland Power and Island Industrial customers on May 6, 2022 in Board Order No. P.U. 16(2022). The recovery of the Supply Deferral Accounts is reflected in this March 31, 2022 Report but not in the Quarterly Financial Statements for the same period.

Finance charges are calculated on the balances using the test year weighted average cost of capital, which is currently 5.43% per annum.

Rate Stabilization Plan
Net Hydraulic Production Variation
March 31, 2022

	A	B1	B2	B3	B	C	D	E	F	G	H
	Cost of Service	Actual Net Hydraulic Production (kWh)	Net Pondered Energy (kWh)	Spill Exports (kWh)	Net Hydraulic Production for Variance Calculation (kWh)	Monthly Net Hydraulic Production Variance (kWh)	Cost of Service No. 6 Fuel Cost (\$CDN/bbl)	Net Hydraulic Production Variation (\$)	Financing Charges (\$)	Transfers (\$)	Cumulative Variation and Financing Charges (\$)
					(B1 + B2 - B3)	(A - B)		(C / O ¹ X D)			(E + F)
Opening Balance											
Adjustment											
Adjusted Opening Balance											44,665,085
January	-	-	-	-	-	-	0.00	-	197,247	-	44,862,332
February	-	-	-	-	-	-	105.90	-	198,118	-	45,060,450
March	-	-	-	-	-	-	105.90	-	198,993	-	45,259,443
April	-	-	-	-	-	-					
May	-	-	-	-	-	-					
June	-	-	-	-	-	-					
July	-	-	-	-	-	-					
August	-	-	-	-	-	-					
September	-	-	-	-	-	-					
October	-	-	-	-	-	-					
November	-	-	-	-	-	-					
December	-	-	-	-	-	-					
	-	-	-	-	-	-			594,358	-	45,259,443
Hydraulic Allocation											
Hydraulic Variation at Year End									594,358		45,259,443

¹ O is the Holyrood Operating Efficiency of 583 kWh/barrel, reference Board Order No. P.U. 16(2019), p.19.

Rate Stabilization Plan
Summary of Utility Customer
March 31, 2022

	A	B	C	D	E	F	G	H
	Load	Allocation	Allocation	Subtotal	Financing	Adjustment ¹	Transfers ²	Cumulative
	Variation	Fuel Variance	Rural Rate	Monthly	Charges			Net
	(\$)	(\$)	Alteration	Variances	(\$)	(\$)	(\$)	Balance
			(\$)	(\$)				(\$)
				(A + B + C)				
Opening Balance Adjustment								(to page 5) 7,503,079
Adjusted Opening Balance								7,503,079
January	-	-	-	-	33,135	(3,977,964)	-	3,558,250
February	-	-	-	-	15,714	(3,600,083)	-	(26,119)
March	-	-	-	-	(115)	(3,789,852)	11,442,880	7,626,794
April								
May								
June								
July								
August								
September								
October								
November								
December								
Year-to-Date	-	-	-	-	48,734	(11,367,899)	11,442,880	123,715
Hydraulic Allocation (from page 2)								-
Total	-	-	-	-	48,734	(11,367,899)	11,442,880	7,626,794

¹ Effective July 1, 2021, the RSP adjustment rate is 0.598; approved in Board Order No. P.U. 22(2021).

² Recovery of the Supply Deferrals Accounts was approved in Board Order No. P.U. 16(2022).

Rate Stabilization Plan
Summary of Industrial Customers
March 31, 2022

	A	B	C	D	E	F	G
	Load	Allocation	Subtotal	Financing	Adjustment ¹	Transfers ²	Cumulative
	Variation	Fuel Variance	Monthly	Charges	Adjustment ¹	(\$)	Net
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	Balance
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(A + B)						
Opening Balance							(to page 5)
Adjustment						-	4,319,655
Adjusted Opening Balance							4,319,655
January	-	-	-	19,076	145,221	-	4,483,952
February	-	-	-	19,802	(138,769)	-	4,364,985
March	-	-	-	19,276	(142,501)	1,009,037	5,250,797
April							
May							
June							
July							
August							
September							
October							
November							
December							
Year-to-Date	-	-	-	58,154	(136,049)	1,009,037	931,142
Hydraulic Allocation							-
(from page 2)							
Total	-	-	-	58,154	(136,049)	1,009,037	5,250,797

¹ Effective February 1, 2022, the RSP adjustment rate is 0.385 cents per kWh per Board Order No. P.U. 5(2022).

² Recovery of the Supply Deferral Accounts was approved in Board Order No. P.U. 16(2022).

Rate Stabilization Plan
 Overall Summary
 March 31, 2022

	A	B	C	D
	Hydraulic Balance (\$)	Utility Balance (\$)	Industrial Balance (\$)	Total To Date (\$)
	(from page 2)	(from page 3)	(from page 4)	(A + B + C)
Opening Balance	44,665,085	7,503,079	4,319,655	56,487,819
Adjustments	-	-	-	-
Adjusted Opening Balance	44,665,085	7,503,079	4,319,655	56,487,819
January	44,862,332	3,558,250	4,483,952	52,904,534
February	45,060,450	(26,119)	4,364,985	49,399,316
March	45,259,443	7,626,794	5,250,797	58,137,034
April				
May				
June				
July				
August				
September				
October				
November				
December				

Appendix B

Proposed Utility RSP Current Plan Adjustment

Calculation of Rate Stabilization Plan Current Plan Adjustment
Utility Customer

Line No		<u>Amount</u>	<u>Comments</u>
	Current Plan		
1	March Balance	\$ 7,626,794	Line 7
2	Forecast Financing Costs to June 30, 2023	\$ 20,570	Line 23
3	Forecast Recovery to June 30, 2022	\$ (8,892,470)	Lines 8 to 10
4	Total	<u>\$ (1,245,106)</u>	
5	12 Months-to-Date (April–March) Newfoundland Power Inc. Sales (kWh)	<u>5,513,320,859</u>	
6	RSP¹ Current Plan Adjustment (¢ per kWh)	<u>(0.023)</u>	

Forecast Financing Charges
2022–2023

2019 Test Year Weighted Average Cost of Capital per annum 5.430%
Nominal Financing Rate 5.299%

Month	<u>Sales (kWh)</u>	<u>Financing Costs (\$)</u>	<u>Adjustment (\$)</u>	<u>Total-to-Date Balance (\$)</u>	
7	March 2022			7,626,794	
8	April 2022	469,800,918	33,681	(3,518,809)	4,141,666
9	May 2022	407,125,525	18,290	(3,049,370)	1,110,586
10	June 2022	310,319,175	4,905	(2,324,291)	(1,208,800)
11	July 2022	315,370,921	(5,338)	72,535	(1,141,603)
12	August 2022	304,364,261	(5,041)	70,004	(1,076,641)
13	September 2022	296,505,907	(4,755)	68,196	(1,013,199)
14	October 2022	407,228,556	(4,474)	93,663	(924,011)
15	November 2022	468,196,275	(4,081)	107,685	(820,406)
16	December 2022	633,422,850	(3,623)	145,687	(678,342)
17	January 2023	665,211,407	(2,996)	152,999	(528,339)
18	February 2023	602,020,498	(2,333)	138,465	(392,207)
19	March 2023	633,754,566	(1,732)	145,764	(248,176)
20	April 2023	469,800,918	(1,096)	108,054	(141,218)
21	May 2023	407,125,525	(624)	93,639	(48,202)
22	June 2023	310,319,175	(213)	71,373	22,958
23	Total	<u>6,700,566,477</u>	<u>20,570</u>	<u>(7,624,406)</u>	

¹ Rate Stabilization Plan ("RSP").

Appendix C

Proposed Utility CDM Cost Recovery Adjustment

Conservation and Demand Management Cost Recovery Adjustment
 Island Interconnected Recoverable Allocation

Line No.		2021 Energy Sales (kWh)	Percent of Total kWh ¹	Allocation of Recoverable Amount (\$000)
1	Newfoundland Power	5,432,366,847	86.3%	270
2	Island Industrial Firm	419,058,479	6.7%	21
3	Rural Island Interconnected	442,741,405	7.0%	22
4	Total	6,294,166,731	100.0%	313

From Page 3, Line 16

¹ Totals may not add due to rounding.

Conservation and Demand Management Cost Recovery Adjustment
Newfoundland Power Inc.

Line No.	Newfoundland Power Inc.'s Allocation of CDM¹ Cost Deferral Account Balance		
	Calculation of Newfoundland Power Inc.'s Allocation of Rural CDM Balance		
1	2021 Rural Island Interconnected's Allocation (\$000)	22	From Page 1, Line 3
2	2021 Rural Isolated System's Recoverable Amount (\$000)	1,167	From Page 3, Line 17
3	Total 2021 Rural CDM (\$000)	1,189	Line 1 + Line 2
4	2021 Newfoundland Power Inc.'s Allocation Percentage of Rural CDM Balance ²	96.1%	
5	2021 Newfoundland Power Inc.'s Allocation of Rural CDM Balance	1,143	Line 3 x Line 4
6	Newfoundland Power Inc.'s Direct Allocation of Island Interconnected's CDM Balance (\$000)	270	From Page 1, Line 1
7	Total Newfoundland Power Inc. Allocation of CDM Account Balance (\$000)	1,413	Line 5 + Line 6
	Calculation of Newfoundland Power Inc.'s CDM Cost Recovery Adjustment		
8	Newfoundland Power Inc.'s Current Year Allocation (\$000)	202	Line 7 / 7 years
9	2021 Energy Sales - Newfoundland Power Inc. (kWh)	5,432,366,847	From Page 1, Line 1
10	2022–2028 CDM Cost Recovery Adjustment (¢ per kWh) ³	0.004	(Line 8 x 1,000) / Line 9
11	2021–2027 CDM Cost Recovery Adjustment (¢ per kWh) ³	0.005	
12	2019–2025 CDM Cost Recovery Adjustment (¢ per kWh)	0.004	
13	2018–2024 CDM Cost Recovery Adjustment (¢ per kWh)	0.003	
14	2017–2023 CDM Cost Recovery Adjustment (¢ per kWh)	0.019	
15	Total CDM Cost Recovery Adjustment (¢ per kWh)	0.035	Line 10 + Line 11 + Line 12 + Line 13 + Line 14

¹ Conservation and Demand Management ("CDM").

² Based on Rural Deficit Allocation between Newfoundland Power Inc. and Rural Labrador Interconnected customers in the 2019 Test Year Cost of Service Study.

³ OC2020-081 prevented Newfoundland and Labrador Hydro from changing rates as a result of the operation of the Rate Stabilization Plan and CDM Cost Deferral Account on July 1, 2020. As a result, 2019 activity is included with 2020 activity to be amortized over a seven-year period commencing July 1, 2021.

Appendix D

Estimated Customer Billing Impacts – RSP and CDM Cost Recovery Adjustments

Utility Estimated Customer Billing Impacts - July 1, 2022
RSP and CDM Cost Recovery Adjustments

	Billing Units ¹	Unit	Current Rates	Billings at Existing Rates (\$)	Proposed Rates July 1, 2022	Revised Billings (\$)	Change (\$)	Change Utility (%)	Estimated Change End Customer ² (%)
Demand (kW/s)	15,012,624	\$/kW/mo	5.00	75,063,120	5.00	75,063,120			
Energy (MWhs)	3,960,000	¢/kWh	2.444	96,782,400	2.444	96,782,400			
Energy (MWhs)	1,472,367	¢/kWh	18.165	267,455,438	18.165	267,455,438			
Total Base Rate				439,300,958		439,300,958	-		
RSP: Current Plan Adjustment	5,432,367	¢/kWh	0.749	40,688,428	(0.023)	(1,249,444)	(41,937,872)	(8.9)	(5.8)
RSP: Fuel Rider	5,432,367	¢/kWh	(0.151)	(8,202,874)	0.000	-	8,202,874	1.7	1.1
CDM Cost Recovery Adjustment	5,432,367	¢/kWh	0.031	1,684,034	0.035	1,901,328	217,295	0.1	0.1
Total				473,470,545		439,952,842	(33,517,703)	(7.1)	(4.7)

¹ Billing units are based on 2021 actuals.

² Percentages may not add due to rounding.

Appendix E

Estimated Customer Billing Impacts – RSP, CDM, and Project Cost Recovery Rider

Utility Estimated Customer Billing Impacts - July 1, 2022
RSP, CDM, and Project Cost Recovery Rider

	Billing Units ¹	Unit	Current Rates	Billings at Existing Rates (\$)	Proposed Rates July 1, 2022	Revised Billings (\$)	Change (\$)	Change Utility (%)	Estimated Change End Customer ² (%)
Demand (kW)	15,012,624	\$/kW/mo	5.00	75,063,120	5.00	75,063,120			
Energy (MWhs)	3,960,000	¢/kWh	2.444	96,782,400	2.444	96,782,400			
Energy (MWhs)	1,472,367	¢/kWh	18.165	267,455,438	18.165	267,455,438			
Total Base Rate				439,300,958		439,300,958	-		
RSP: Current Plan Adjustment	5,432,367	¢/kWh	0.749	40,688,428	(0.023)	(1,249,444)	(41,937,872)	(8.9)	(5.8)
RSP: Fuel Rider	5,432,367	¢/kWh	(0.151)	(8,202,874)	0.000	-	8,202,874	1.7	1.1
CDM Cost Recovery Adjustment	5,432,367	¢/kWh	0.031	1,684,034	0.035	1,901,328	217,295	0.1	0.1
Project Cost Recovery Rider	5,432,367	¢/kWh	0.000	-	0.798	43,350,287	43,350,287	9.2	6.0
Total				473,470,545		483,303,129	9,832,584	2.1	1.4

¹ Billing units are based on 2021 actuals.

² Percentages may not add due to rounding.



Schedule 2

Orders-in-Council

- **OC2013-343**
- **OC2022-120**

2013/11/29

OC2013-343

Under the authority of section 5.1 of the Electrical Power Control Act, 1994, the Lieutenant Governor in Council is pleased to direct the Board of Commissioners of Public Utilities to adopt a policy, subject to section 3, that:

1) Any expenditures, payments or compensation paid directly or indirectly by Newfoundland and Labrador Hydro, under an agreement or arrangement to which the Muskrat Falls Project Exemption Order applies, to:

- a) a LiLParty,
- b) a system operator in respect of a tariff for transmission services or ancillary services in respect of the LiL, that otherwise would have been made to a LiLParty, or
- c) Muskrat Falls Corporation, in respect of:
 - i) electrical power and energy forecasted by Muskrat Falls Corporation and Newfoundland and Labrador Hydro to be delivered to, consumed by, or stored by or on behalf of Newfoundland and Labrador Hydro for use within the province, whether or not such electrical power and energy is actually delivered, consumed, or stored within the province,
 - ii) greenhouse gas credits, transmission services and ancillary services, and
 - iii) obligations of Newfoundland and Labrador Hydro in addition to those in paragraphs (i) and (ii) to ensure the ability of Muskrat Falls Corporation and Labrador Transmission Corporation to meet their

2013/11/29

- respective obligations under financing arrangements related to the construction and operation of Muskrat Falls and the LTA shall be included as costs, expenses or allowances, without disallowance, reduction or alteration of those amounts, in Newfoundland and Labrador Hydro's cost of service calculation in any rate application and rate setting process, so that those costs, expenses or allowances shall be recovered in full by Newfoundland and Labrador Hydro in Island interconnected rates charged to the appropriate classes of ratepayers;
- 2) The costs, expenses or allowances of Newfoundland and Labrador Hydro described above, and the rates for Newfoundland and Labrador Hydro established by the Board of Commissioners pursuant to the direction under section 1, shall not be subject to subsequent review, and shall persist without disallowance, reduction or alteration of those costs, expenses or allowances or rates, throughout any processes for any public utility, including Newfoundland Power Inc., or any other process under the Electrical Power Control Act, 1994 or the Public Utilities Act;
- 3) Notwithstanding sections 1 and 2, no amounts paid by Newfoundland and Labrador Hydro described in those sections shall be included as costs, expenses or allowances in Newfoundland and Labrador Hydro's cost of service calculation or in any rate application or rate setting process, and no such costs, expenses or allowances shall be recovered by Newfoundland and Labrador Hydro in rates:
- a) where such amounts are directly attributable to the marketing or sale of electrical power and energy by Newfoundland and Labrador Hydro to persons located outside of the province on behalf of and for the benefit of Muskrat

2013/11/29

- Falls Corporation and not Newfoundland and Labrador Hydro; and
- b) in any event, in respect of each of Muskrat Falls, the LTA or the LiL, until such time as the project is commissioned or nearing commissioning and Newfoundland and Labrador Hydro is receiving services from such project.
- 4) In this Order in Council, terms shall have the same meaning ascribed to them in the Muskrat Falls Project Exemption Order.

Clerk of the Executive Council

2022/05/16

OC2022-120

Under the authority of section 5.1 of the Electrical Power Control Act, 1994, the Lieutenant-Governor in Council is pleased to vary OC2013-343 by striking the wording in item 3(b) in its entirety and substituting the following:

“3. (b) in respect of

- i) Muskrat Falls and the LTA, until such time as both Muskrat Falls and the LTA are commissioned and Newfoundland and Labrador Hydro is receiving services from these projects, or
- ii) the LIL, until such time as the LIL is commissioned or nearing commissioning and Newfoundland and Labrador Hydro is receiving services from that project.”

Clerk of the Executive Council



Schedule 3

Letter from Government of Newfoundland and Labrador





Government of Newfoundland and Labrador
Department of Industry, Energy and Technology
Office of the Minister

May 20, 2022

Mr. John Green
Chair, Board of Directors
Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400
St. John's, NL, A1B 4K7

Dear Mr. Green:

RE: July 1, 2022 Rate Increase

I am writing with respect to Government's ongoing efforts to mitigate the rate impacts of the Muskrat Falls project and to ensure Government's Rate Mitigation plan implementation occurs in a manner that is predictable and sustainable for the residents of our province.

The Muskrat Falls power plant and the Labrador Transmission Assets were commissioned in November 2021. The net increase in costs associated with the use of these assets are accumulating in a deferral account for future recovery from customers. As part of Hydro's annual Rate Stabilization process, rates were anticipated to decline in the upcoming July 1, 2022 adjustment. Newfoundland and Labrador Hydro requested government modify Order in Council 2013-343 to allow for partial recovery of Muskrat Falls Project costs in electricity rates. OC2022-120 provides such authority.

Consistent with the stated policy goal of the Government of Newfoundland and Labrador that electricity rates be maintained at a manageable level, I request that Newfoundland and Labrador Hydro file its Rate Stabilization Plan with a view to maintaining retail electricity rates as close to current levels as possible for July 1, 2022 adjustment. Our Government hopes and trusts this will alleviate some of the significant cost of living pressures facing Newfoundlanders and Labradorians at this time.

Thank you for your continued service and I trust you will accommodate my request.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. Parsons". The signature is stylized with a large loop at the beginning and a horizontal stroke at the end.

ANDREW PARSONS, QC
Minister of Industry, Energy and Technology

c. Honourable Andrew Furey, Premier



Schedule 4

Proposed Utility Rate Sheet – July 1, 2022



UTILITY

Availability

This rate is applicable to service to Newfoundland Power ("NP").

Definitions

"Billing Demand"

The Curtailable Credit shall apply to determine the billing demand as an adjustment to the highest Native Load established during the winter period. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below.

In the months of January through March, billing demand shall be the greater of:

- a) The highest Native Load less the Generation Credit and the Curtailable Credit, beginning in the previous December and ending in the current month; and
- b) The Minimum Billing Demand.

In the months of April through December, billing demand shall be the greater of:

- a) The Weather-Adjusted Native Load less the Generation Credit and the Curtailable Credit, plus the Weather Adjustment True-up; and
- b) The Minimum Billing Demand.

If at the time of establishing its Maximum Native Load, NP has been requested by Hydro to reduce its Native Load by shedding curtailable load, the calculation of Billing Demand for each month shall not deduct the Curtailable Credit.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	83,486
Thermal Generation Credit	34,568
Newfoundland Power Generation Credit	118,054

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, NP will be provided with an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

“Curtable Credit” is determined based upon NP's forecast curtable load available for the period in accordance with the terms and conditions set forth in NP's Curtable Service Option. NP will notify Hydro of its available curtable load with its forecast of annual and monthly electricity requirements.

In order to receive the Curtable Credit, NP must demonstrate the capability to curtail its customer load requirements to the level of the Curtable Credit. This will be verified in a test by curtailing load at a minimum of this level for a period of one hour. The test will be carried out at a mutually agreed time in December. If the level is not sustained, the Curtable Credit will be reduced to the level sustained. If Hydro requests NP to curtail load before a test is completed and NP demonstrates the capability to curtail to the level of the Curtable Credit, no test will be required.

NP will be required to provide a report to Hydro no later than April 15 to demonstrate the amount of load curtailed for each request of Hydro during the previous winter season. If the load curtailed is less than forecast for either request during the winter season, the annual Curtable Credit will be adjusted to reflect the average load curtailed for the winter season. If NP is not requested to curtail during the winter season, the Curtable Credit will be established based upon the lesser of the load reduction achieved in the test or the forecast curtable load (as provided in the previous two paragraphs).

“Maximum Native Load” means the maximum Native Load of NP in the four-month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP's test year Native Load less the Generation Credit and the Curtable Credit.

The Curtable Credit reflected in the Minimum Billing Demand will be set to equal the curtable load used to determine the Maximum Native Load for NP for the most recently approved Test Year.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

“Native Load” is the sum of:

- a)** The amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen-minute period thereafter;
- b)** The total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load
plus (Weather Adjustment, rounded to 3 decimal places, x 1,000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- a)** The greater of:
 - The Weather Adjusted Native Load less the Generation Credit and the Curtailable Credit (if applicable), times three; and
 - The Minimum Billing Demand, times three; and
- b)** The sum of the actual billed demands in the Months of January, February and March of the current year.

Monthly Rates

Billing Demand Charge

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

Demand Charge..... \$5.00 per kW of Billing Demand

Energy Charge

November– April

First 410,000,000 kilowatt-hours*@ 2.444¢ per kWh

All excess kilowatt-hours*@ 18.165¢ per kWh

May–October

First 250,000,000 kilowatt-hours*@ 2.444¢ per kWh

All excess kilowatt-hours*@ 18.165¢ per kWh

Firming-Up Charge

Secondary energy supplied by

Corner Brook Pulp and Paper Limited*@ 2.882¢ per kWh

RSP Adjustment - Current Plan.....@ (0.023)¢ per kWh

Project Cost Recovery Rider.....@ 0.798¢ per kWh

CDM Cost Recovery Adjustment.....@ 0.035¢ per kWh

***Subject to RSP Adjustment, CDM Cost Recovery Adjustment, and Project Cost Recovery Rider**

Adjustment for Losses

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering shall be applied to the metered demand.

Weather Adjustment

This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- a) Weather adjustment shall be undertaken for use in determining NP's Billing Demand.
- b) Weather adjustment shall be derived from Hydro's NP native peak demand model.
- c) By September 30th of each year, Hydro shall provide NP with an updated weather adjustment coefficient incorporating the latest year of actuals.
- d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weigh regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, weather data from Environment Canada and/or wind chill formulation.
- e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition of underlying weather data.
- f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of the Weather-Adjusted Native Load by April 5th of each year.

General

This rate schedule does not include the Harmonized Sales Tax (HST) that applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach a mutual agreement, the billing will be based on Hydro's best estimate.



Affidavit

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("*Hydro*") pursuant to Subsection 70(1) and Section 71 of the *Act*, for the approval of: (i) an updated Rate Stabilization Plan ("*RSP*") Current Plan Adjustment for Newfoundland Power Inc. ("*Newfoundland Power*"), (ii) an updated Conservation and Demand Management ("*CDM*") Cost Recovery Adjustment for Newfoundland Power, and (iii) implementation of a Project Cost Recovery Rider for Newfoundland Power ("*Utility Rate Adjustments*"), all to be made effective July 1, 2022

AFFIDAVIT

I, Kevin Fagan, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice President, Regulatory and Stakeholder Relations, Newfoundland and Labrador Hydro, the applicant named in the attached application.
2. I have read and understand the foregoing application.
3. To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the)
Province of Newfoundland and)
Labrador this 27 day of)
May, 2022 before me:)


Barrister – Newfoundland and Labrador


Kevin Fagan