

DELIVERED BY HAND

June 7, 2012

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

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

Ladies and Gentlemen:

Re: Newfoundland Power's 2012 Cost of Capital Application

A. Enclosures

Please find enclosed the original and eight copies of:

1. An Amended Application together with 5 Appendices (the "Amended Application"); and
2. Final rate sheets to replace Newfoundland Power's current rate sheets which reflect interim rates in accordance with Order No. P.U. 25 (2011).

B. Background

Recently, Newfoundland Power reached a settlement agreement with the Consumer Advocate and Board Hearing Counsel regarding matters raised in this Application which related to the Company's 2012 return.

The essence of the settlement is that (i) Newfoundland Power's 2012 regulated return on equity be set at 8.80% and (ii) Newfoundland Power be entitled to deferred recovery of an amount of 2012 revenue which reflects the difference between the regulated return on equity of 8.38% currently reflected in customer rates and the agreed 8.80%.

C. The Amended Application

In the Amended Application, Newfoundland Power seeks an order of the Board approving the essential terms of the settlement agreement. Other matters raised in the original Application, including the future of the automatic adjustment formula, are currently expected to be considered at the Company's next general rate application which the Board has directed be filed by September 14, 2012.



In addition to the essential terms which have been agreed between the Company, the Consumer Advocate and Board Hearing Counsel, the Amended Application seeks the Board's approval of a number of specific ancillary matters. These include (i) an account definition for the 2012 Cost of Capital Cost Recovery Deferral Account; (ii) a revised definition for the Excess Earnings Account, and (iii) the making final of Newfoundland Power's current customer rates. The account definitions are accounting matters which flow from the essential terms of the settlement agreement. Making current customer rates final from January 1st, 2012 is necessary to provide certainty to the Company's cash flows for the first 6 months of 2012 and is consistent with Order No. P.U. 25 (2011) so far as customer rates are concerned.¹

D. Concluding

Newfoundland Power understands that this Application is set to be heard by the Board on June 12, 2012. The enclosed Amended Application is intended to provide an appropriate evidentiary basis for that hearing in light of the settlement agreement.

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

Copies of the enclosures and this correspondence have been forwarded directly to intervenors as indicated below.

Yours very truly,



Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey

Thomas Johnson
O'Dea Earle Law Offices

Dean A. Porter
Poole Althouse

¹ On May 25th, 2012, the Company filed an Application respecting customer rates to be effective July 1st, 2012 on an interim basis. Following the Board's consideration of this Amended Application, Newfoundland Power expects to amend the May 25th Application to seek approval of final rates for July 1st, 2012.



IN THE MATTER OF the *Public Utilities Act*,
(the “Act”); and

IN THE MATTER OF the establishment of a
just and reasonable return on rate base pursuant
to Section 80 of the Act for Newfoundland
Power Inc. (“Newfoundland Power”).

TO: The Board of Commissioners of Public Utilities (“the Board”)

THE AMENDED APPLICATION of Newfoundland Power **SAYS THAT:**

A. Background

1. Newfoundland Power is a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the Act, and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. By Order No. P.U. 43 (2009), the Board ordered, in effect, that Newfoundland Power’s 2010 customer electricity rates be based upon an allowed return on rate base which reflected a regulated return on equity of 9.0%.
3. By Order Nos. P.U. 16 (1998-99), P.U. 36 (1998-99), P.U. 19 (2003), P.U. 32 (2007), P.U. 43 (2009), and P.U. 12 (2010), the Board ordered, in effect, that an automatic adjustment formula be established to set the electrical rates and allowed rates of return for Newfoundland Power based upon changes in forecast long-term Government of Canada bond yields (the “Formula”).
4. By Order No. P.U. 43 (2009), the Board also ordered, in effect, that Newfoundland Power:
 - (a) apply no later than November 30th in each of 2010 and 2011 for application of the Formula to the rate of return on rate base; and
 - (b) file its next general rate application with the Board no later than May 31, 2012 with a 2013 test year;unless otherwise ordered by the Board.
5. By Order No. P.U. 32 (2010), the Board ordered, in effect, that Newfoundland Power’s 2011 customer electricity rates be based upon an allowed return on rate base which reflected a regulated return on equity of 8.38% as established by the Formula.

6. By Order No. P.U. 25 (2011), the Board ordered, amongst other things, that (i) the operation of the Formula be suspended for 2012; and (ii) Newfoundland Power's allowed return on rate base continue, on an interim basis, to be that established by Order No. P.U. 32 (2010).
7. On March 30th, 2012, Newfoundland Power filed an application with the Board to, amongst other things, establish an allowed return on rate base for 2012.

B. Amended Application

8. Newfoundland Power reached a settlement agreement with the Consumer Advocate and Board Hearing Counsel regarding matters related to a just and reasonable return on rate base for Newfoundland Power for 2012 (the "2012 Cost of Capital Settlement Agreement"). A copy of the 2012 Cost of Capital Settlement Agreement is Appendix 1 to this Amended Application.
9. Appendix 2 to this Amended Application shows the calculation of Newfoundland Power's 2012 rate of return on rate base of 8.14% which reflects a regulated return on common equity of 8.80% as agreed in the 2012 Cost of Capital Settlement Agreement.
10. Appendix 3 to this Amended Application shows the calculation of Newfoundland Power's 2012 return on rate base which reflects a rate of return on rate base of 8.14% as agreed to in the 2012 Cost of Capital Settlement Agreement.
11. Appendix 4 to this Amended Application shows the calculation of Newfoundland Power's revised 2010 test year revenue requirements which reflect the agreements contained in the 2012 Cost of Capital Settlement Agreement.
12. Appendix 5 to this Amended Application is the proposed definition of Newfoundland Power's Excess Earnings Account based upon a 2012 rate of return on rate base of 8.14% in a range of 7.96% to 8.32%.

C. Amended Application Proposals

13. This Amended Application proposes that the Board approve:
 - (a) a just and reasonable return on rate base for Newfoundland Power for 2012 of 8.14% which reflects a regulated return on common equity of 8.80%;
 - (b) the deferred recovery by Newfoundland Power of \$2,487,000 in 2012 revenue; and
 - (c) a proposed revised definition for Newfoundland Power's Excess Earnings Account; and
 - (d) that Newfoundland Power's current customer rates be considered to be final rates from January 1st, 2012.

all as described in this Amended Application.

14. The proposals contained in the Amended Application are consistent with the 2012 Cost of Capital Settlement Agreement, the Board's Orders, and the Act.

D. Order Requested

15. Newfoundland Power requests that, pursuant to Section 80 of the Act, the Board make an Order:
- (a) approving a just and reasonable rate of return on average rate base for the Company for 2012 of 8.14% in a range of 7.96% to 8.32%;
 - (b) approving the deferred recovery by the Company of \$2,487,000 in 2012 revenue in accordance with the account definition contained in Schedule 1 to Appendix 1 to this Amended Application;
 - (c) approving a proposed definition for the Company's Excess Earnings Account as set out in Appendix 5 to this Amended Application; and
 - (d) declaring the Company's 2012 current customer rates to be final rates from January 1st, 2012.

E. Communications

16. Communications with respect to this Amended Application should be forwarded to the attention of Ian F. Kelly, Q.C. and Gerard M. Hayes, Counsel to Newfoundland Power.

DATED at St. John's, Newfoundland and Labrador this 7th day of June, 2012.

NEWFOUNDLAND POWER INC.



Ian F. Kelly, Q.C. and Gerard M. Hayes
Counsel for Newfoundland Power Inc.
P.O. Box 8910
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St. John's, Newfoundland
A1B 3P6

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Email: ghayes@newfoundlandpower.com
ifkelly@curtisdawe.nf.ca

IN THE MATTER OF the *Public Utilities Act*,
(the "Act"); and

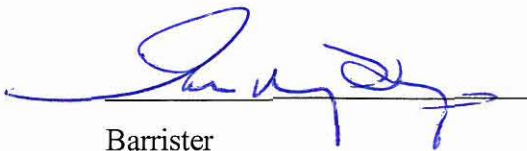
IN THE MATTER OF the establishment of a
just and reasonable return on rate base pursuant
to Section 80 of the Act for Newfoundland
Power Inc. ("Newfoundland Power").

AFFIDAVIT


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

1. That I am Vice-President, Regulation and Planning of Newfoundland Power Inc.
2. To the best of my knowledge, information and belief, all matters, facts and things set out in
this Amended Application are true.

SWORN to before me at St. John's
in the Province of Newfoundland and
Labrador this 7th day of June, 2012.



Barrister



Peter Alteen

IN THE MATTER OF the *Public Utilities Act*,
(the “Act”); and

IN THE MATTER OF the establishment of a
just and reasonable return on rate base pursuant
to Section 80 of the Act for Newfoundland
Power Inc. (“Newfoundland Power”).

**Settlement Agreement
for the Proposed Resolution of
Issues Arising from the Application**

Whereas Newfoundland Power (the “Applicant”) has applied to the Board of Commissioners of Public Utilities (the “Board”) for an Order, *inter alia*, approving a just and reasonable rate of return on rate base for 2012 (the “Application”);

And Whereas the Consumer Advocate has been granted Registered Intervenor status by the Board;

And Whereas the Board has directed the Applicant to file its next general rate application, with a 2013 test year, (“General Rate Application”) by September 14, 2012;

And Whereas the Applicant and the Consumer Advocate (the “Parties”), with participation by Board hearing counsel, have engaged in negotiations;

And Whereas the Parties have agreed to make joint recommendations to the Board for the resolution of the issues arising out of the Application.

Terms of Agreement

1. The Parties jointly advise the Board that the issues arising from the Application have been settled by negotiation between them in accordance with this Settlement Agreement (the “Settled Issues”).
2. The Parties recommend that the Board implement the agreement of the Parties regarding the Settled Issues in its Order.
3. At the hearing of this Application, the Parties do not intend to examine or cross-examine witnesses, and will only present evidence and make submissions reasonably necessary to assist the Board’s understanding and to explain or clarify the Parties’ agreement concerning the Settled Issues.

4. This Agreement is without prejudice to the positions the Parties may take in proceedings other than this Application, including, without limitation, the General Rate Application. It sets no precedent for any issue addressed in this Agreement in any future proceeding or forum.

Rate of Return on Common Equity

5. The Parties agree that the rate of return on common equity to be used in determining a just and reasonable return on rate base for 2012 will be 8.80%.

Rate of Return on Rate Base

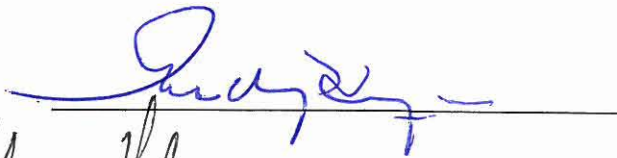
6. The Parties agree that the allowed rate of return on rate base for 2012 will be 8.14% within a range of 7.96% to 8.32%.

Deferred Revenue Recovery

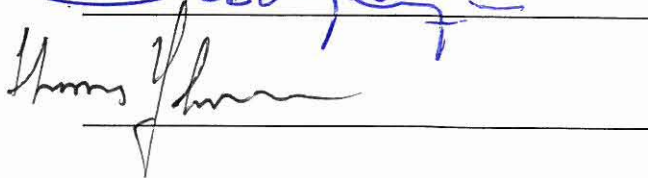
7. The Parties agree that the Applicant will be granted deferred recovery of the full difference between the 8.38% return on common equity currently in rates and an 8.80% return on common equity, calculated on the basis of the Applicant's 2010 test year costs. The recovery of the additional revenue requirement for 2012 of approximately \$2.5 million will be deferred and fully recovered by the Applicant in accordance with a further Order of the Board. Schedule 1 is a proposed definition of the 2012 Cost of Capital Cost Recovery Deferral Account.

Agreed to effective the 5th day of June, 2012.

For Newfoundland Power:



For the Consumer Advocate:



For the Board's hearing counsel:



Schedule 1

Newfoundland Power Inc.

2012 Cost of Capital Cost Recovery Deferral Account

Proposed Definition

This account shall be charged with the full amount of the difference in revenue between an 8.38% return on common equity and an 8.80% return on common equity for 2012, calculated on the basis of the 2010 test year costs.

Disposition of the Balance in this Account

The disposition of this cost recovery deferral amount will be subject to a future order of the Board.

Newfoundland Power Inc.

**Calculation of 2012 Rate of Return on Rate Base¹
Based on the 2012 Cost of Capital Settlement Agreement**

	%	Cost	Weighted Cost
Debt	54.27% ²	7.64% ²	4.15%
Preference Shares	1.04% ²	6.23% ²	0.06%
Equity	44.69% ²	8.80% ³	3.93%
2012 Rate of Return on Rate Base			<u>8.14%</u>

¹ Under the Asset Rate Base Method approved in Order No. P.U. 32 (2007),
the rate of return on rate base equals the weighted average cost of capital.

² Based on 2010 Test Year, approved in Order No. P.U. 46 (2009).

³ 2012 Cost of Equity as agreed in the 2012 Cost of Capital Settlement Agreement.

Newfoundland Power Inc.

Calculation of 2012 Return on Rate Base
Based on the 2012 Cost of Capital Settlement Agreement
(000's)

Return on Rate Base Formula Approved by Order No. P.U. 32 (2007):

$$\begin{array}{l} \text{Return} \\ \text{on Rate} \\ \text{Base} \end{array} = \begin{array}{|c|} \hline \text{Rate Base} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Rate of} \\ \text{Return on} \\ \text{Rate Base} \\ \hline \end{array}$$

2011 Return on Rate Base (approved by Order No. P.U. 36 (2010)):

$$\begin{array}{l} \$ \quad 69,378 \end{array}^1 = \begin{array}{|c|} \hline \$871,585 \\ \hline \end{array}^2 \times \begin{array}{|c|} \hline 7.96\% \\ \hline \end{array}^1$$

$$\begin{array}{l} \$ \quad 69,181 \end{array} = \begin{array}{l} \$ \quad 69,378 \end{array} - \begin{array}{l} \$ \quad 197 \end{array}^3$$

2012 Return on Rate Base:

$$\begin{array}{l} \$ \quad 70,947 \end{array} = \begin{array}{|c|} \hline \$871,585 \\ \hline \end{array}^2 \times \begin{array}{|c|} \hline 8.14\% \\ \hline \end{array}^4$$

Change in 2010 Test Year Return on Rate Base:

$$\begin{array}{l} \$ \quad 1,766 \end{array} = \begin{array}{l} \$ \quad 70,947 \end{array} - \begin{array}{l} \$ \quad 69,181 \end{array}$$

¹ Results of the Operation of the Formula for 2011 approved in Order No. P.U. 32 (2010).

² Approved in Order No. P.U. 46 (2009).

³ Adjustment for Other Post Employment Benefits approved in Order No. P.U. 31 (2010).

⁴ As calculated in Appendix 2.

Newfoundland Power Inc.

Revised 2010 Test Year Revenue Requirement
Adjusted for the 2012 Cost of Capital Settlement Agreement
(\$000s)

	2010 Test Year¹	Operation of the Formula for 2011²	OPEBs²	2011 Revised	2012 Cost of Capital Settlement Agreement	2012 Revised
1 Return on Rate Base	71,750	(2,372)	(197)	69,181	1,766 ³	70,947
2						
3 Other Costs						
4 Power Supply Cost	351,034	-	-	351,034	-	351,034
5 Operating Costs	51,689	-	-	51,689	-	51,689
6 Pension	8,196	-	-	8,196	-	8,196
7 OPEBs Expense	-	-	7,635	7,635	-	7,635
8 Amortization of Depreciation Cost Recovery Deferral	3,861	-	-	3,861	-	3,861
9 Depreciation	43,378	-	-	43,378	-	43,378
10 Income Taxes	17,098	(1,041)	108	16,165	721 ⁴	16,886
11	475,256	(1,041)	7,743	481,958	721	482,679
12						
13 2010 Revenue Requirement	547,006	(3,413)	7,546	551,139	2,487 ⁵	553,626
14						
15 Deductions						
16 Other Revenue	(13,692)	-	-	(13,692)	-	(13,692)
17 2005 Unbilled Revenue	(4,618)	-	-	(4,618)	-	(4,618)
18 Other Adjustments	87	-	-	87	-	87
19	(18,223)	-	-	(18,223)	-	(18,223)
20						
21						
22 2010 Revenue Requirement from Base Rates	528,783	(3,413)	7,546	532,916	2,487	535,403

¹ Approved in Order No. P.U. 46 (2009).

² In Order No. P.U. 36 (2010), the Board approved changes to Newfoundland Power's 2010 Test Year revenue requirement resulting from the adoption of the formula for 2011 (Order No. P.U. 32 (2010)) and the adoption of accrual accounting for Other Post Employment Benefits (Order No. P.U. 31 (2010)).

³ See Appendix 3 for the calculation of the change in the 2010 Test Year return on rate base resulting from the cost of capital settlement agreement.

⁴ The change in income taxes for the 2010 Test Year is calculated as:

	<u>(\$000s)</u>	
Increase in Return on Rate Base	1,766	
Gross up for Income Tax Purposes	2,487	= (1,766/(1-.29)) where 29% is the corporate income tax rate in 2012.
Income Tax Rate	<u>29.0%</u>	
Change in Income Taxes	<u>721</u>	

⁵ This is the change in the revised 2010 Test Year revenue requirement resulting from the 2012 Cost of Capital Settlement Agreement. Newfoundland Power will defer recovery of the \$2,487,000 change in the 2010 Test Year Revenue Requirement. The increase in revenue requirement translates into an average increase in current customer rates of approximately 0.4% after taking into account current RSA and MTA factors.

Newfoundland Power Inc.

Excess Earnings Account

Current Definition

3.05 Excess Earnings Account 284xx

This account shall be credited with any earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board. Disposition of any balance in this account shall be as determined by the Board. For 2011 and subsequent years, all earnings in excess of an 8.14% rate of return on rate base shall, unless otherwise ordered by the Board, be credited to this account.

Proposed Definition

3.05 Excess Earnings Account 284xx

This account shall be credited with any earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board. Disposition of any balance in this account shall be as determined by the Board. For 2012 and subsequent years, all earnings in excess of an 8.32% rate of return on rate base shall, unless otherwise ordered by the Board, be credited to this account.

**NEWFOUNDLAND POWER INC.
RATE #1.1
DOMESTIC SERVICE — FINAL**

Availability:

For Service to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:\$15.71 per month

Energy Charge:

All kilowatt-hours@ 10.407¢ per kWh

Minimum Monthly Charge\$15.71 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.
RATE #1.1S
DOMESTIC SEASONAL – OPTIONAL — FINAL**

Availability:

Available upon request for Service to Customers served under Rate #1.1 Domestic Service who have a minimum of 12 months of uninterrupted billing history at their current Serviced Premises.

Rate:

The Energy Charges provided for in Rate #1.1 Domestic Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):

All kilowatt-hours@ 0.953¢ per kWh

Non-Winter Season Credit Adjustment (Billing Months of May through November):

All kilowatt-hours@ (1.297)¢ per kWh

Special Conditions:

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the Customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.

**NEWFOUNDLAND POWER INC.
RATE #2.1
GENERAL SERVICE 0-10 kW — FINAL**

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:\$18.03 per month

Energy Charge:
All kilowatt-hours@ 12.182 ¢ per kWh

Minimum Monthly Charge, Single Phase\$18.03 per month
Three Phase\$36.06 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #2.2
GENERAL SERVICE 10-100 kW (110 kVA) — FINAL

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater but less than 100 kilowatts (110 kilovolt-amperes).

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:\$20.76 per month

Demand Charge:

\$8.70 per kW of billing demand in the months of December, January, February and March and \$7.20 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kW of billing demand@ 9.672 ¢ per kWh

All excess kilowatt-hours@ 7.303 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 16.96 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase\$20.76 per month

Three Phase\$36.06 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #2.3
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA — FINAL

Availability:

For Service where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:\$93.47 per month

Demand Charge:

\$7.51 per kVA of billing demand in the months of December, January, February and March and \$6.01 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 150 kilowatt-hours per kVA of billing demand,
up to a maximum of 30,000 kilowatt-hours@ 9.642 ¢ per kWh
All excess kilowatt-hours@ 7.227¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 16.96 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular, Regulation 7(n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.
RATE #2.4
GENERAL SERVICE 1000 kVA AND OVER — FINAL**

Availability:

For Service where the maximum demand occurring in the 12 months ending with the current month is 1000 kilovolt-amperes or greater.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:\$186.93 per month

Demand Charge:

\$7.09 per kVA of billing demand in the months of December, January, February and March and \$5.59 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

Energy Charge:

First 100,000 kilowatt-hours@ 8.278 ¢ per kWh

All excess kilowatt-hours@ 7.162 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 16.96 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular, Regulation 7(n)], transformation [in particular, Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.
RATE #4.1
STREET AND AREA LIGHTING SERVICE — FINAL

Availability:

For Street and Area Lighting Service where the electricity is supplied by the Company and all fixtures, wiring and controls are provided, owned and maintained by the Company.

Monthly Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

	Sentinel/Standard	Post Top
High Pressure Sodium*		
100W (8,600 lumens)	\$16.14	\$17.30
150W (14,400 lumens)	20.77	-
250W (23,200 lumens)	28.17	-
400W (45,000 lumens)	39.22	-

* For all new installations and replacements.

Mercury Vapour

175W (7,000 lumens)	\$16.14	\$17.30
250W (9,400 lumens)	20.77	-
400W (17,200 lumens)	28.17	-

Special poles used exclusively for lighting service**

Wood	\$ 6.82
30' Concrete or Metal, direct buried	9.90
45' Concrete or Metal, direct buried	15.08
25' Concrete or Metal, Post Top, direct buried	7.63

Underground Wiring (per run)**

All sizes and types of fixtures	\$12.06
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** Where a pole or underground wiring run serves two fixtures paid for by different parties, the above rates for such poles and underground wiring may be shared equally between the two parties.

General:

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.
CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only) — FINAL**

Availability:

For Customers billed on Rate #2.3 or #2.4 that can reduce their demand ("Curtail") by between 300 kW (330 kVA) and 5000 kW (5500 kVA) upon request by the Company during the Winter Peak Period. The Winter Peak Period is between 8 a.m. and 9 p.m. daily during the calendar months of December, January, February and March. The ability of a Customer to Curtail must be demonstrated to the Company's satisfaction prior to the Customer's availing of this rate option.

Credit for Curtailing:

If the Customer Curtails as requested for the duration of a Winter, the Company shall credit to the Customer's account the Curtailment Credit during May billing immediately following that Winter. The Curtailment Credit shall be determined by one of the following options:

Option 1:

The Customer will contract to reduce demand by a specific amount during Curtailment periods (the "Contracted Demand Reduction"). The Curtailment Credit for Option 1 is determined as follows:

Curtailment Credit = Contracted Demand Reduction x \$29 per kVA

Option 2:

The Customer will contract to reduce demand to a Firm Demand level which the Customer's maximum demand must not exceed during a Curtailment period. The Curtailment Credit for Option 2 is determined as follows:

Maximum Demand Curtailed = (Maximum Winter Demand - Firm Demand)

Peak Period Load Factor =
$$\frac{\text{kWh usage during Peak Period}}{(\text{Maximum Demand during Peak Period} \times 1573 \text{ hours})}$$

Curtailment Credit = ((Maximum Demand Curtailed x 50%) + (Maximum Demand Curtailed x 50% x Peak Period Load Factor)) x \$29 per kVA

Limitations on Requests to Curtail:

Curtailment periods will:

1. Not exceed 6 hours duration for any one occurrence.
2. Not be requested to start within 2 hours of the expiration of a prior Curtailment period.
3. Not exceed 100 hours duration in total during a winter period.

The Company shall request the Customer to Curtail at least 1 hour prior to the commencement of the Curtailment period.

**NEWFOUNDLAND POWER INC.
CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only) — FINAL**

Failure to Curtail:

Failure to Curtail under Option 1 occurs when a Customer does not reduce its demand by the Contracted Demand Reduction for the duration of a Curtailment period. Failure to Curtail under Option 2 occurs when a Customer does not reduce its demand to the Firm Demand level or below for the duration of a Curtailment period.

The Curtailment Credit will be reduced by 50% as a result of the first failure to Curtail during a Winter. For each additional failure to Curtail, the Curtailment Credit will be reduced by a further 25% of the Curtailment Credit. If the Customer fails to Curtail three times during a Winter, the Customer forfeits 100% of the Curtailment Credit and the Customer will no longer be entitled to service under the Curtailable Service Option.

Notwithstanding the previous paragraph, no Curtailment Credit will be provided if the number of failures to Curtail equals the number of Curtailment requests.

Termination/Modification:

The Company requires six months written notice of the Customer's intention to either discontinue Curtailable Service Option or to modify the Contracted Demand Reduction or Firm Demand level.

General:

Services billed on this Service Option will have approved load monitoring equipment installed. For a customer that Curtails by using its own generation in parallel with the Company's electrical system, all Company interconnection guidelines will apply, and the Company has the option of monitoring the output of the Customer's generation. All costs associated with equipment required to monitor the Customer's generation will be charged to the Customer's account.