

1 Q. **Re: NLH Evidence, Section 4, page 4.21, line 13.**

2 Please provide a detailed description of the deferral mechanism for Deferred
3 Purchased Power Savings, indicating the types of costs for which it is applied and
4 the recovery mechanism.

5

6

7 A. In 1997, Hydro interconnected communities in the area of L'Anse au Clair to Red
8 Bay to the Hydro Québec system. In its report dated July 12, 1996, the Board
9 recommended that Hydro defer and amortize the benefits of a reduced initial
10 purchased power rate over a 30-year period, and subsequently issued Board Order
11 No. P.U. 5(1996-1997) as shown in IN-NLH-121 Attachment 1.



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

P.O. Box 21040
St. John's, Newfoundland
Canada
A1A 5B2

FAX. No.: (709) 726-9604

Telephone Nos.:	Chairperson	(709) 726-1133
	Vice-Chairperson	726-0955
	Clerk of the Board	726-8600
	Manager (Motor Carrier & Insurance)	726-0742
	Accountant	726-0553

1996 08 02

Mr. Geoffrey P. Young
Legal Counsel
Newfoundland and Labrador Hydro
P.O. Box 12400
500 Columbus Drive
St. John's, NF.
A1B 4K7

Dear Mr. Young:

I am attaching herewith two copies of Order No. P.U. 5 (1996-97) issued by the Board as a result of a report dated July 12, 1996 to the Honourable Dr. Rex Gibbons, Minister of Mines and Energy on a Referral by the Lieutenant-Governor in Council on electrical rates in the Labrador Straits Area from L'Anse au Clair to Red Bay.

Yours truly,

Carol Horwood
Carol Horwood,
Clerk of the Board.

Attachments (2)

u:\users\helen\NL'anse-c\pu5-96-97.let



NEWFOUNDLAND AND LABRADOR

AN ORDER OF THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NO...P.U...5 (1996-97)

IN THE MATTER OF THE PUBLIC UTILITIES
ACT, R.S.N. 1990, CHAPTER P-47

AND

IN THE MATTER OF THE ELECTRICAL POWER
CONTROL ACT, 1994

AND

IN THE MATTER OF A REFERRAL BY THE
LIEUTENANT-GOVERNOR IN COUNCIL ON
ELECTRICAL RATES IN THE LABRADOR STRAITS
AREA FROM L'ANSE AU CLAIR TO RED BAY.

WHEREAS by OC 96-068 the Lieutenant-Governor in Council under the authority of Section 5 of the *Electrical Power Control Act, 1994* referred to the Board of Commissioners of Public Utilities (the "Board") the issue of the determination of appropriate rates to be paid by rural customers in the area from L'Anse au Clair to Red Bay, upon completion of the transmission line connecting this area with the Lac Robertson hydro-electric project, in the Province of Quebec, pursuant to a contract between Hydro-Quebec and Newfoundland and Labrador Hydro; and

WHEREAS the Board held hearings in L'Anse au Clair on February 27, 1996, April 29 and 30, 1996; and

WHEREAS the Board submitted a Report to the Honourable Minister of Mines and Energy on behalf of the Lieutenant-Governor in Council on July 12, 1996 which recommendations were accepted by MC 96 -0567;

IT IS HEREBY ORDERED THAT:

The rates to be charged in the Labrador Straits Area between L'Anse au Clair and Red Bay upon interconnection with the Lac Robertson hydro-electric project be the rates charged by Newfoundland Light & Power Co. Limited.

The preferential rates which apply in isolated diesel systems be no longer applicable in the L'Anse au Clair to Red Bay Area.

A thirty (30) year amortization period be selected for amortization of the capital expenditures associated with interconnection and that a deferred credit treatment be used for the difference between the reduced mill rate (the initial twenty mill surplus energy price) and the normal contract mill rate (which is 50% of the fuel cost saving at the relevant time).

Hydro establish mechanisms for consultation with rural customers to foster improved communication and to seek advice on measures for cost reduction and improvement in service quality.

DATED at St. John's, Newfoundland, this 2nd day of August, 1996.



David A. Vardy
David A. Vardy,
Chair

L.E. Galway
L.E. Galway, C.A., M.B.A.,
Vice-Chairperson

Raymond A. Pollett
Raymond A. Pollett
Commissioner

Wallace S. Read
Wallace S. Read, P.Eng.
Commissioner

Carol Horwood
Carol Horwood
Clerk