

1 Q. (RSP Evidence, pages 3 to 5) The background relating to the RSP does not mention
2 the RSP review conducted by stakeholders deriving from Hydro's last GRA. Please
3 provide the status of this review, a summary of its recommendations and file a copy
4 of the report (the most recent draft report is acceptable).

5

6

7 A. Please see the attached responses to Requests for Information NP-NLH-1 and NP-
8 NLH-2, filed during the 2009 review of RSP components to be charged to Industrial
9 Customers. There was no draft of the report that was agreed upon among the
10 parties. As the Board indicated in its letter of February 27, 2009 that it would no
11 longer accept that review in the context of the GRA from which it was conceived,
12 and subsequent proceedings on the RSP were before the Board, no further action
13 was taken by Hydro on the matter.

RSP Components to be charged to Industrial Customers

1 Q. Please provide the scope and the timelines of the RSP Review provided for in the
2 Settlement Agreement in Order No. P.U. 8 (2007).

3
4
5 A. The scope of the RSP Review is included in the "Review of the Rate Stabilization
6 Plan" report attached to NP-NLH-2. The proposed (from the above-referenced
7 report) and actual timelines are shown below:

Milestone	Proposed Date	Actual Date	Comment
Agreement on review process	31-Jan-07	31-Jan-07	
Meetings with Parties to set design objectives and alternatives for RSP re-design	31-Mar-07	31-Mar-07	
Report to Board on RSP study Terms of Reference	31-May-07	31-May-07	
Preliminary report submitted for review of Parties	30-Jun-07	4-Jun-07	
Completion of discussions among Parties and tentative agreement on design	31-Jul-07	June 4 to August 17, 2007.	Agreement not reached.
Discussions among Parties restarted		10-Jul-08	
Redraft of RSP report begun with conference call		14-Oct-08	
Partial Redraft distributed for discussion		7-Nov-08	
Process delayed to consider IFRS impacts		8-Dec-08	
Letter from PU Board stating RSP report would no longer be done in the context of the 2006 GRA; IFRS issues still not determined		27-Feb-09	Letter attached to NP-NLH-2
Preliminary report on RSP review submitted to Board	31-Aug-07		
Final report on RSP design	30-Sep-07		
Technical Conference	31-Oct-07		
Application to Board	30-Nov-07		
Implementation	1-Jan-08		

1 Q. Please provide all written correspondence between Hydro and the Board with
2 respect to RSP Review since the issuing of Order No. P.U. 8 (2007).
3
4

5 A. Please find in Attachment 1 all correspondence between Hydro and the Board with
6 respect to RSP Review since the issuing of Order No. P.U. 8 (2007).



File No. _____

NEWFOUNDLAND AND LABRADOR HYDRO

Head Office: St. John's, Newfoundland P.O. Box 12400 A1B 4K7
Telephone (709) 737-1400 • Fax (709) 737-1231 • Website: www.nlh.nf.ca

May 31, 2007

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road
St. John's, Newfoundland
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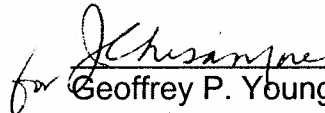
ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

The Board in Order No. P.U. 8 (2007) directed Hydro to file a report no later than May 31, 2007, on the Rate Stabilization Plan Review.

Enclosed please find ten (10) copies of that report entitled "Review of the Rate Stabilization Plan".

Yours very truly,


for Geoffrey P. Young
Legal Counsel

GPY/
Encls.

c.c. Gerard Hayes, Lorne Henderson, Kevin Fagan - Newfoundland Power Inc.
Tom Johnson - Consumer Advocate
Dave MacDonald - Corner Brook Pulp & Paper
Joseph Hutchings, Q.C. - Poole, Althouse
Paul Coxworthy - Stewart McKelvey Stirling Scales

REVIEW OF THE RATE STABILIZATION PLAN



NEWFOUNDLAND AND LABRADOR HYDRO

MAY 31, 2007

Table of Contents

1	Introduction.....	1
2	Background.....	3
3	Study Terms of Reference and Objectives.....	5
4	Design Components and Issues to be Reviewed.....	6
5	RSP Review Participants	8
5.1	Participants.....	8
5.2	Role and Involvement of Participants.....	8
5.3	Confidentiality	9
5.4	Payment of Costs	9
6	Outline of Review Process and Timeline.....	10

1 INTRODUCTION

This report is filed with the Board of Commissioners of Public Utilities (the Board) in response to Order No. P.U. 8 (2007), page 32 and page 65, item III, 8, wherein the Board ordered:

"Hydro will be required to file with the Board no later than May 31, 2007 a copy of the terms which are proposed for the RSP review, setting out terms of reference, the specific review objectives, a list of participants, a planned timeline, and an outline of the review process."

The Board plans to use this filing to determine its participation in the Rate Stabilization Plan (RSP) review and advise the parties accordingly.

The Board's Order was issued in response to the October 20, 2006 Agreement on Cost of Service, Rate Design and Rate Stabilization Plan, filed as part of Newfoundland and Labrador Hydro's (Hydro) 2006 General Rate Application (GRA), in particular, paragraph 8 stating:

"Three review processes applying the principles set out in Attachment A shall be initiated by Hydro in 2007 to examine...
iii. Re-design of the RSP to better meet design objectives."

Since the conclusion of Hydro's 2006 General Rate Proceeding, the parties to the October 20, 2006 Agreement, including Hydro, Newfoundland Power, Industrial Customers and the Consumer Advocate (the Parties), have met on two occasions, exchanged data, and participated in the drafting of this document. The Parties have agreed to the RSP review terms and have initiated study, discussion and resolution of the issues. This report documents the review terms agreed upon by the Parties, thus meeting the requirements set out in the Board Order.

The report is organized as follows:

- Background;
- Study terms of reference and objectives;
- Design components and issues to be reviewed;
- RSP review participants, roles and involvement, confidentiality and payment of costs;
and
- Outline of review process and timeline.

2 BACKGROUND

The RSP has been a significant point of interest and debate during Hydro rate applications since its inception in 1986. Prior to 1986, Hydro had two separate reserve accounts that adjusted for variations from test year costs, specifically a Water Equalization Provision and a Fuel Adjustment Charge. The Water Equalization Provision normalized for fuel cost variations related to changes from normal hydraulic production. There was no automatic adjustment mechanism for the balance, based on the premise that hydraulic production variations tend to zero over time. Instead, it included a maximum provision of \$36 million that, when exceeded, required rate adjustments. The Fuel Adjustment Charge was a formula to recover generation costs attributable to fuel price differences from those reflected in test year rates. The adjustment was applied to rates in the month after the costs were incurred.

The RSP was implemented in 1986 as a result of a 1985 Board Report to Government. The purpose of the RSP was to smooth customer rate impacts that had occurred as a result of the Fuel Adjustment Charge, and includes variations between actual results and test year cost of service estimates for: 1) hydraulic production; 2) No. 6 fuel cost used at Holyrood generating station; and 3) customer load (Newfoundland Power and Industrial Customers). Rates were adjusted annually based on recovery of 1/3 of the annual balance.

Since its implementation in 1986, the RSP has gone through many modifications culminating in its current form. The current RSP includes the three original components, plus adjustments to account for variations in Hydro's rural revenues resulting from changes to rural rates that reflect the rates of Newfoundland Power. This latter component now relates specifically to Newfoundland Power, as Industrial Customers are now exempt from charges related to the Rural Deficit. In addition, a number of design changes have been made to the application and recovery of RSP amounts.

On June 30, 2006, Hydro filed a report on the operation of the RSP, which included proposals for further changes to the design. The RSP report, Hydro's 2006 GRA and this

review process identified these components to be reviewed: 1) isolated diesel fuel and purchased power costs; 2) municipal tax; and 3) CFB Goose Bay revenue credit.

The original RSP rules as well as the changes made since its inception have caused a number of concerns over the years by participants in Hydro's rate applications. Some of the concerns expressed include that the RSP: no longer reflects or meets its original intent and objectives; has become unwieldy and overly complex making it difficult to understand and audit; and may be providing incorrect incentives and benefits in its application. Some of these concerns were addressed during Hydro's 2003 GRA resulting in a major revision to the RSP. During Hydro's 2006 GRA, further discussions took place concerning the need for additional changes to the RSP. As a result of the discussions, the Parties to the proceeding agreed that a comprehensive review of the RSP will be undertaken.

3 STUDY TERMS OF REFERENCE AND OBJECTIVES

The purpose and objective of this RSP review as agreed to by the Parties is to undertake a comprehensive study with the intent to re-design the RSP as necessary to meet its defined objectives and ensure it is providing incentives and benefits to Hydro and consumers consistent with the *Electrical Power Control Act, 1994* and generally accepted sound utility practice. The terms of reference for the RSP review include:

- Review the history of the RSP;
- Define the objectives of the RSP which will form the basis for the evaluation;
- Evaluate the relevance and benefits of each of the current and proposed components of the RSP consistent with the objectives;
- Evaluate, and re-redesign where necessary, each component of the RSP judged to be of continued relevance and benefit;
- Draft rules to govern the application and administration of the re-designed RSP;
- Document the study results in a report filed with the Board;
- Provide a Technical Conference to the Board in accordance with the Agreements filed by the Parties during Hydro's 2006 GRA; and
- Apply to the Board for approval of proposed changes to the RSP.

4 DESIGN COMPONENTS AND ISSUES TO BE REVIEWED

The Parties have developed a list of RSP components and issues to be addressed in the review. The list is summarized in *Table 1*. Other design components and issues will be evaluated and reported upon as necessary during the course of the study if they are believed to be more consistent with the objectives of the RSP.

Table 1- RSP Issues

<i>RSP Component</i>	<i>Issue</i>	<i>Source</i>
Fuel and Hydrology	Enhance Price Signal	Oct 20, 2006 agreement
Fuel and Hydrology	Discrete Write-off Period for Hydraulic Variation	Mar 2007 meeting
Fuel and Hydrology	Fuel Rider with New Test Year	Order No. PU 8 (2007), pp 31-32
Load Variation	Necessity of Load Variation	Oct 20, 2006 agreement
Load Variation	Customer Allocation	RSP Report, Jun 2006
Rural Deficit	Isolated Diesel Fuel and Purchased Power Costs	Oct 20, 2006 agreement
Rural Deficit	Municipal Tax Implications of Rural Rate Alteration	Mar 2007 meeting
Other	CFB Goose Bay Revenue Credit Risk for Loss of Load	Oct 20, 2006 agreement
Other	Simplification of RSP by Separating Fuel and Hydrology from Other Components	Oct 20, 2006 agreement
Other	Publication of Components of RSP Rate	Mar 2007 meeting
Other	No RSP for Newfoundland Power	Mar 2007 meeting

As items related to the Rural Deficit affect Newfoundland Power rates, but not the rates of the Industrial Customers, these items will be discussed primarily among Hydro, Newfoundland Power and the Consumer Advocate.

In addition, the Parties have agreed to the following RSP objectives. These objectives represent the starting point only, and are subject to change as the study progresses.

- To provide for acceptable levels of rate and revenue stability for customers and Hydro;
- To provide for regulatory efficiency by allowing changes in rates to recover changes in prudently incurred fuel costs without requiring a general rate proceeding;
- To provide for timely changes in rates and avoid material changes in the price signal that would promote inappropriate consumption decisions by customers;
- To provide for fair apportionment of costs among the customers impacted by the RSP;
- To mitigate material intergenerational equity concerns;
- To provide for ease of understanding; and
- To provide for ease and efficiency of administration.

No provisions in the RSP should provide an incentive to Hydro or its customers to operate in a manner that is inconsistent with the least cost power policy of the Province and generally accepted sound utility practice.

These RSP design objectives will be used to assess both the proposed changes to the RSP and whether any of the existing RSP provisions should be revised or eliminated.

5 RSP REVIEW PARTICIPANTS

5.1 *Participants*

The Parties that are participating in the review of the RSP include:

- Newfoundland Power;
- Industrial Customers;
- Consumer Advocate;
- Hydro; and
- Board Staff.

It is anticipated that Board staff will participate in the review process. However, as stated in the Board's Order, it will use this filing as the basis for determining the extent of its participation and advise the Parties accordingly.

5.2 *Role and Involvement of Participants*

This review process will be a joint effort by the parties, with the intended outcome a joint report and recommendations.

Hydro will be responsible for:

- Coordinating meetings and discussions;
- Preparing reports and analysis as required; and
- Preparing submissions to the Board.

Newfoundland Power, Industrial Customers and the Consumer Advocate will be responsible for:

- Participating in discussions to agree on the RSP design;
- Providing design alternatives to achieve the objectives; and
- Participating in preparation of draft and final reports.

5.3 Confidentiality

Discussions among the parties are confidential, and will not be released to the public without the agreement of the parties to the process.

5.4 Payment of Costs

Each party is responsible for paying the cost it incurs.

6 OUTLINE OF REVIEW PROCESS AND TIMELINE

The RSP review process and a tentative schedule are provided in *Table 2*.

Table 2. Review Process and Timeline

Milestone	Date
Agreement on review process	January 31, 2007
Meetings with Parties to set design objectives and alternatives for RSP re-design	March 31, 2007
Report to Board on RSP study Terms of Reference	May 31, 2007
Preliminary report submitted for review of Parties	June 30, 2007
Completion of discussions among Parties and tentative agreement on design	July 31, 2007
Preliminary report on RSP review submitted to Board	August 31, 2007
Final report on RSP design	September 30, 2007
Technical Conference	October 31, 2007
Application to Board	November 30, 2007
Implementation	January 1, 2008



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2007 07 20

Newfoundland and Labrador Hydro
P. O. Box 12400
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A1B 4K7

Attention: Mr. Geoffrey P. Young
Legal Counsel

Dear Sir:

The Board is now in receipt of the report Review of the Rate Stabilization Plan, dated May 31, 2007, which was filed in accordance with Order No. P.U. 8(2007). This Report has been reviewed and I am writing to provide some feedback and to suggest a meeting or telephone conversation in advance of the parties moving forward with this review. In particular, I raise the following issues/questions:

1) Table 1 - RSP issues

The list set out in Table 1 of the Report seems to be a preliminary list of identified issues. The Board suggests the following additional issues or questions which may be considered during the review:

- Should the RSP be abandoned altogether for Hydro?
- Why would the RSP be eliminated for NP and not the IC?
- What implications would there be for the RSP upon the implementation of the proposed changes to GAAP in relation to deferral accounts for regulated industries?

2) **Role and Involvement of Participants**

The role of the Board has not been defined. While the Board may not participate as a full party in the review, the Board will be involved to the extent that it may benefit the application process associated with any changes that are proposed. In this context it is suggested that meetings with Board staff may assist in the development of appropriate and effective changes to the RSP. In particular it may be useful to schedule meetings with Board staff i) shortly after the completion of discussions and tentative agreement; and ii) shortly after the filing of the final report on the RSP design.

3) **Technical Conference**

The Report is not clear as to the intention of the parties in relation to the Technical Conference. It is noted that the conference is scheduled to be held after the final report of the parties is completed and presumably filed. Is it contemplated that the recommendations of the final report may be amended after the Technical Conference? Further what role do the parties see for the Board and/or Board staff in the Technical Conference?

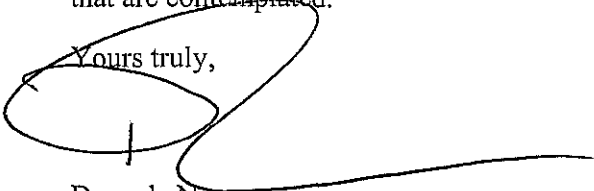
4) **Table 2 - Review Process and Timeline**

The timeline set out in the Report may not allow sufficient time for the matter to progress to a conclusion. In particular:

- It is noted that the Technical Conference is scheduled for a time when there are other complex utility matters involving the participants before the Board. It is suggested that the timing of the conference be moved to be more practical for participants in the context of ongoing matters.
- It is noted that the application to the Board for changes is intended to be made one month before the intended implementation. This one-month period currently includes Christmas. If it is intended that changes will be made effective January 1, 2008 then I would suggest that the application should be made to the Board before the end of August 2007 to ensure that all participants have a full opportunity to present the proposals and address the issues arising. This would necessitate changes to the proposed timeline.

Once you have had an opportunity to consider these comments please advise as to whether you are available for a meeting or telephone conversation. Thereafter it is expected that Hydro will file an update as to the status of the review and any changes to the process that are contemplated.

Yours truly,



Dwanda Newman
Legal Counsel

c.c. Gerard Hayes, Lorne Henderson, Kevin Fagan
Newfoundland Power Inc. - E-mail: ghayes@newfoundlandpower.com;
lhenderson@newfoundlandpower.com; kfagan@newfoundlandpower.com
Thomas Johnson, Consumer Advocate - E-mail: tjohnson@odeacarle.nf.ca
Dave MacDonald, Corner Brook Pulp & Paper - E-mail: dmacdonald@CB.Kruger.com
Joseph Hutchings, Q.C., Poole, Althouse - E-mail: jhutchings@pa-law.ca
Paul Coxworthy, Stewart McKelvey Stirling Scales - E-mail: pcoxworthy@smss.com

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2013 RSP Application



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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2007 11 28

Newfoundland and Labrador Hydro
P. O. Box 12400
St. John's, NL
A1B 4K7

Attention: Mr. Geoffrey P. Young
Legal Counsel

Dear Sir:

Re: Rate Stabilization Plan Review

Further to the May 31, 2007 report in relation to the above I am writing to request an update on the status of the Rate Stabilization Plan Review.

You will recall that in Order No. P.U. 8(2007) the Board agreed that a review of the RSP may be appropriate. In particular the Board said:

"The Board notes the importance of the RSP as it is the mechanism through which variations in fuel prices are managed. These variations have been the biggest driver for rate changes in recent years. Since the approval of the Board would be necessary for any changes to this mechanism, the involvement of the Board early in this process would facilitate an efficient and timely determination of the issues."

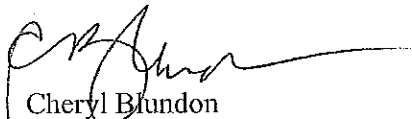
The Board ordered Hydro to file with the Board no later than May 31, 2007 terms of the review setting out details as to how the review would proceed which would assist the Board in determining how it would participate in the review. After reviewing the report which was filed on May 31, 2007 legal counsel for the Board wrote Hydro on July 20, 2007 to suggest a

meeting or telephone conversation to address some issues arising from the report. A copy of this correspondence is attached for your reference.

Given the lapse of time since the last contact in relation to this matter the Board now requires an update of the May 31, 2007 report. This update should address the issues identified in the July 20, 2007 correspondence. To the extent that further clarification of these issues may be of assistance please contact legal counsel immediately to arrange a meeting. Otherwise, please provide the required update to this report by December 12, 2007.

Should you have any questions or require clarification please do not hesitate to contact the undersigned.

Yours truly,


Cheryl Blundon
Director of Corporate Services
and Board Secretary

c.c. Gerard Hayes, Lorne Henderson, Kevin Fagan
Newfoundland Power Inc. – E-mail: ghayes@newfoundlandpower.com;
lhenderson@newfoundlandpower.com; kfagan@newfoundlandpower.com
Thomas Johnson, Consumer Advocate - E-mail: tjohnson@odcaearle.nf.ca
Dave MacDonald, Corner Brook Pulp & Paper – E-mail: dmacdonald@CB.Kruger.com
Joseph Hutchings, Q.C., Poole, Althouse – E-mail: jhutchings@pa-law.ca
Paul Coxworthy, Stewart McKelvey Stirling Scales – E-mail: pcoxworthy@smss.com

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ecc: Mr. Gerard Hayes, Newfoundland Power
Mr. Joseph Hutchings, Q.C. &
Mr. Paul Coxworthy, Industrial Customers
Mr. Thomas Johnson, Consumer Advocate

RSP-CA-NLH-6 Attachment 2, Page 20 of 27
2013 RSP Application



Jill Chisamore/NLHydro
02/28/2008 02:58 PM

To
cc
bcc
Subject Fw: Update

Geoff Young/NLHydro
02/28/2008 01:42 PM

To dnewman@pub.nl.ca, "Gerard Hayes (E-mail)"
<ghayes@newfoundlandpower.com>, "Joe Hutchings
(E-mail)" <jhutchings@pa-law.ca>, "Paul Coxworthy
(E-mail)" <pcoxworthy@smss.com>, "Thomas Johnson
(E-mail)" <tjohnson@odeaearle.nf.ca>, ddray@pub.nl.ca,
Angela Dunphy/NLHydro
cc
Subject Update

Hello everyone,

The following is the promised update:

- Industrial Rate Design Report - the report was filed February 5, 2008.
- NP Demand Rate Report - there have been delays caused by a lack of consensus, which has arisen on a couple of occasions, as to the scope of the report.
- RSP Review Report - As indicated in a letter to the Board dated December 12, 2007, this report will follow the completion of the above two reports.
- Interim Rates (Hydro Rural) - Hydro has responded to all the questions the Board's financial consultants had and is now awaiting a final order.
- Interim Rates (Industrial) - Hydro is not yet in a position to file for final rates.
- Peer Group Benchmarking - Hydro filed its proposed peer group on October 31, 2007 and was to consult with the Consumer Advocate as to its acceptability. The Consumer Advocate has encountered some difficulties in contacting his consultant (Doug Bowman) to get advice and feedback on the report due to Doug's absence from his office (he's been in Mongolia) for much of the time. Hydro would normally file its KPI report as part of its Annual Report to the Board. It is hoped that this can be resolved by then.
- Depreciation Methodology - Hydro's consultant has been engaged and will start work soon on an update to the depreciation methodology study.
- GRA - preparatory work is continuing but Hydro has still not confirmed that it will be filing a GRA in 2008.
- Financial Statements - Hydro did not include its financial statement in its recent Quarterly Report to the Board due to a need to make revisions consistent with recent changes in international accounting standards. It is expected that these financial statements will be filed very soon.

Dwanda, as this is most likely the last official e-mail I will send to you in your present capacity, I would like to thank-you for your assistance, patience and guidance over the past few years. It has been a pleasure working with you.

2013 RSP Application



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2008 09 16

Mr. Geoffrey P. Young
Senior Legal Counsel
Newfoundland and Labrador Hydro
P.O. Box 12400
St. John's, NL
A1B 4K7

Dear Mr. Young:

Re: Rate Stabilization Plan (RSP) Review

In relation to the above-mentioned issue, the most recent correspondence on this file is your letter of December 2007 stating that the final report would be filed in March 2008. The Terms of Reference, which were filed with the Board on May 31, 2007, indicated that it was originally expected that the final report would be filed by September 30, 2007. We are almost one year past that proposed filing date as well as nine months past the proposed implementation date. Please provide an update on this matter as well as an expected receipt date for the final report.

Yours truly,

A handwritten signature in cursive script that reads "Jacqueline Glynn".

Jacqueline Glynn
Legal Counsel

cc: Mr. Gerard Hayes
Mr. Thomas Johnson
Mr. Joseph Hutchings, Q.C.
Mr. Paul Coxworthy

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File No. _____

NEWFOUNDLAND AND LABRADOR HYDRO

Head Office: St. John's, Newfoundland P.O. Box 12400 A1B 4K7
Telephone (709) 737 - 1400 • Fax (709) 737 - 1231 • Website: www.nlh.nl.ca

September 26, 2008

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

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro's Rate Stabilization Plan Review

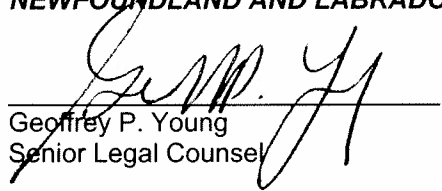
Further to your letter of September 16, 2008, please accept this apology for the delay in filing the Rate Stabilization Plan (RSP) Review report. In an effort to streamline the review processes, the parties (Newfoundland and Labrador Hydro's (Hydro); Newfoundland Power; the Consumer Advocate; and the Industrial Customers) agreed to complete one report before moving to the next. The Industrial Customer Rate Design Review report was filed with the Board on February 5, 2008, and the Newfoundland Power Demand Billing Review report was filed on April 18, 2008.

A series of party availability issues have caused subsequent delays. The Industrial Customer representative, Mr. David MacDonald, resigned in March and the new representative, Mr. Larry Marks was identified in May. Hydro personnel availability has been disrupted due to unanticipated illness, and over the summer months, all of the parties' vacation schedules resulted in further delays.

A revised draft report is currently being prepared and will be issued next week for discussion among the parties. Conference calls and/or meetings will follow. Depending upon party availability, Hydro anticipates filing the final report by late November.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Joseph S. Hutchings, Q.C., Poole Althouse
Thomas Johnson – Consumer Advocate



File No. _____

NEWFOUNDLAND AND LABRADOR HYDRO

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December 17, 2008

Board of Commissioners of Public Utilities
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ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro's (Hydro) Rate Stabilization Plan (RSP) Review

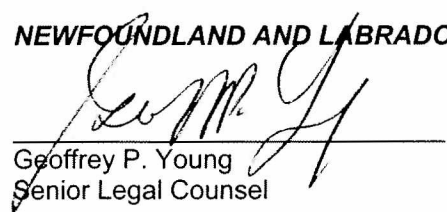
This is further to Hydro's letter of September 26, 2008 concerning the filing of the RSP review report. The parties to the report have been working on its completion, including providing information on the possible implications of the International Financial Reporting Standards (IFRS).

Ongoing IFRS discussions and information sessions within both Newfoundland Power and Hydro, and the similar IFRS issues for both utilities around the RSP and Newfoundland Power's Rate Stabilization Adjustments, suggest it would be prudent for the staff responsible for IFRS implementation at both utilities to jointly discuss the IFRS implication of the RSP. Recent IFRS developments include discussions as to whether IFRS may be deferred and reconsideration by the International Financial Reporting Interpretation Committee of adding to its January 2009 agenda the consideration of regulation on assets and liabilities.

An update as to the status of the RSP review report will be provided by the end of January.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Joseph S. Hutchings, Q.C., Poole Althouse
Thomas Johnson – Consumer Advocate



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January 30, 2009

BY HAND

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road
St. John's, Newfoundland & Labrador
A1A 5B2

Attention: Ms. G. Cheryl Blundon,
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Rate Stabilization Plan (RSP) Report

Further to our letter of December 17, 2008, Newfoundland and Labrador Hydro (Hydro) wishes to update the Board of Commissioners of Public Utilities (the Board) on the status of the RSP report.

As the Board is aware, new International Financial Reporting Standards (IFRS) will be implemented in Canada by January 1, 2011. In a letter to the Board dated January 23, 2009, Hydro outlined the effect IFRS has on determining its future depreciation policy options. Hydro also outlined the 2009 mandate of the IFRS Project Team and its plan to deal with this issue. Another important issue which has been identified by the IFRS Project Team is the accounting treatment of the Rate Stabilization Plan under IFRS. The RSP is a "regulatory asset (or liability)" since it exists by virtue of regulatory approval. There is uncertainty as to how regulatory assets and liabilities will be accounted for under IFRS. Hydro's IFRS Project Team will review the RSP in the broader context of the requirements and considerations that are part of the conversion to IFRS, including any changes to IFRS affecting the treatment of regulatory assets and liabilities that may be issued.

Hydro proposes that an IFRS project status update continue to be included as part of the quarterly reporting to the Board.

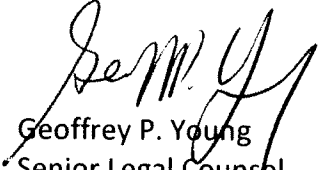
Ms. G. Cheryl Blundon
Public Utilities Board
January 30, 2009

2013 RSP Application

2

Yours very truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

cc. Gerard Hayes - Newfoundland Power
Paul Coxworthy - Stewart McKelvey Stirling Scales
Joseph S. Hutchings - Q.C., Poole Althouse
Thomas Johnson - Consumer Advocate

2013 RSP Application



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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2009 02 27

Mr. Geoffrey P. Young
Senior Legal Counsel
Newfoundland and Labrador Hydro
P.O. Box 12400
St. John's, NL
A1B 4K7

Dear Mr. Young:

Re: Rate Stabilization Plan (RSP) Review

Further to your correspondence relating to the RSP Review, dated January 30, 2009, I am writing to advise that this matter has now been removed from the Board's regulatory calendar due to inactivity.

The idea of conducting a review of the RSP was raised by the parties during Hydro's 2006 GRA. During pre-hearing conference discussions the parties agreed that a review of the RSP was necessary and would be undertaken. In a settlement agreement the parties agreed "*As soon as practicable following the conduct of the review of the IC rate design and re-design of the RSP, and in no event later than October 31, 2007, Hydro shall host a Technical Conference, to be attended by the Parties and others as determined by the Parties, to further discuss the IC rate design and the re-design of the RSP.*" In Order No. P. U. 8(2007), dated April 12, 2007, the Board accepted the agreement of the parties to conduct this review and required that the parties file by May 31, 2007 a terms of reference setting out the objectives, a list of participants, a timeline and an outline of the process.

The terms of reference was filed with the Board in accordance with the Order of the Board setting out a schedule for the review which was to be completed by November 30, 2007 with the results intended to be implemented by January 1, 2008. It is now over a year after the intended implementation date and almost two years after the Order of the Board. Throughout this period the Board did not receive any requests to expedite this matter. Hydro has recently advised that the review cannot proceed until after an evaluation of the accounting treatment of the RSP subject to the IFRS amendments.

Given the lack of activity and the development of events since the 2006 GRA the Board has determined that this review can no longer be done in the context of the GRA from which it was conceived. Should the parties wish to hold discussions in relation to the RSP they are free to do so and thereafter Hydro can apply to the Board for appropriate changes seeking clarity as to how costs are to be addressed at that time.

Should you require clarification do not hesitate to contact the undersigned.

Yours truly,

Original signed by

Jacqueline Glynn
Legal Counsel

cc: Mr. Gerard Hayes – E-mail: ghayes@newfoundlandpower.com
Mr. Thomas Johnson – E-mail: tjohnson@odeaearle.nf.ca
Mr. Joseph Hutchings, Q.C. – E-mail: jhutchings@pa-law.ca
Mr. Paul Coxworthy – E-mail: pcoxworthy@smss.com