newfoundland labrador hydro
a nalcor energy company

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May 27, 2015

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

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

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro – 2015 Interim Rates Application

Pursuant to Board Order No. P.U. 14(2015) (the "Interim Order"), enclosed please find the original plus 12 copies of Hydro's application for interim rates complete with supporting evidence, a revised Schedule of Rates, Tolls and Charges and RSP Rules to become effective July 1, 2015.

Paragraphs 15(a) through (e) of the enclosed application comprise the items requested by Hydro to take effect on July 1, 2015 with respect to the interim rates changes approved by the Interim Order. The Interim Order also directs Hydro to file with this application updated evidence including, among other things, details as to Hydro's forecast 2015 revenue requirement, revenue, and rate of return. The enclosed evidence provides this information required by the Board and this same information grounds the relief sought in paragraph 15(f) of the enclosed application, Hydro's proposed 2015 Revenue Deficiency Deferral Account.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Geoffrey P. Young
Senior Legal Counsel

GPY/cp

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O'Reilly, Q.C. – Cox & Palmer
Senwung Luk – Olthuis, Kleer, Townshend LLP
Thomas Johnson – Consumer Advocate
Yvonne Jones, MP Labrador
Ed Hearn, Q.C. – Miller & Hearn
Genevieve M. Dawson – Benson Buffett

IN THE MATTER OF the *Public Utilities Act*, R.S.N. 1990, Chapter P-47 (the "Act"); and

IN THE MATTER OF a general rate application by Newfoundland and Labrador Hydro to establish customer electricity rates for 2015; and

IN THE MATTER OF an application (the "Interim Rates Compliance Application") by Newfoundland and Labrador Hydro for approval of: (i) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 14 (2015), (ii) a revised Rate Stabilization Plan adjustment to apply to the Utility Rate for the period July 1st, 2015 to June 30th, 2016 and (iii) a proposed deferral account.

TO: The Board of Commissioners of Public Utilities (the "Board")

The APPLICATION of Newfoundland and Labrador Hydro (the "Applicant") states that:

1. Newfoundland and Labrador Hydro (Hydro) is a corporation continued and existing under the *Hydro Corporation Act*, is a public utility within the meaning of the Act and is subject to the provisions of the *Electrical Power Control Act, 1994*.

2. On January 28, 2015 Hydro filed an application with the Board (the 2015 Interim Rates Application) seeking approval of adjustments to its customer rates to provide interim rate relief effective March 1, 2015, in advance of conclusion of its General Rate Application (GRA).

3. The 2015 Interim Rates Application also requested approval for rates to be paid by Hydro's Island Industrial Customers (IIC) in compliance with Orders in Council OC2013-089 and OC2013-090, as amended, which provided direction to the Board and to Hydro, respectively, with regard to the phasing-in of rate changes to Hydro's IIC.

4. Order No. P.U. 40(2003) sets out the manner by which the Rate Stabilization Plan (RSP) is to be calculated and applied to the rates charged by Hydro to Newfoundland Power (NP) and to its IIC. Under that Order, Hydro is required to provide a NP fuel price projection to the Board, to NP and to Hydro's IICs by the tenth working day of April of each year.

5. In accordance with Order No. P.U. 40(2003), the RSP is calculated using the assumptions as to fuel consumption that were approved by the Board for Hydro's 2007 Test Year and that were amended in Order No. P.U. 11(2008) and Order No. P.U. 22(2009) to adjust the 2007 Test Year barrels of No. 6 fuel forecast to be consumed at the Holyrood Thermal Generating Station to reflect the substantial reduction in load applicable to the shutdown of one of the paper machines at Corner Brook Pulp and Paper and the shutdown of Abitibi Consolidated (Grand Falls).

6. The RSP Adjustment factors reflecting the adjusted 2007 Test Year barrels of No. 6 fuel were provided to the Board accompanying the fuel price projection on April 21, 2015.

7. Order No. P.U. 14(2015) (the 2015 Interim Rates Order) directed Hydro to file a revised Schedule of Rates, Tolls and Charges and RSP Rules to become effective July 1, 2015 with evidence showing the impacts on consumers and Hydro incorporating the findings in the 2015 Interim Rates Order.

8. Schedule 1 to this Interim Rates Compliance Application provides the proposed (i) Utility Rate, (ii) IIC rates, (iii) Government Diesel rates, (iv) Hydro Rural Labrador Interconnected rates, and (v) revised RSP rules, to become effective July 1, 2015. Schedule 1 is in compliance with the directions of the Board provided in the 2015 Interim Rates Order.

9. The rates for customers on the Labrador Interconnected System provided in Schedule 1 reflect no change from those currently approved by the Board.

10. An application for revised rates to Hydro Rural Customers whose rates are determined based upon the rates to the customers of NP will be filed subsequent to NP filing its application for customer rates to become effective July 1, 2015.

11. Approval of customer rates changes reflecting the determinations set out in the Order No. P.U. 14(2015) is forecast to provide a net income deficiency based upon the 2015 Test Year of $41.8 million and a forecast net loss of $8.6 million based upon the 2015 Test Year.

12. The 2015 Interim Rates Order, on its own, does not provide the opportunity to allow Hydro to earn a fair return in 2015. To reduce Hydro's forecast 2015 net income deficiency, Hydro requests approval of a 2015 Revenue Deficiency Deferral Account prior to the conclusion of its GRA.

13. Schedule 2 provides a proposed deferral account definition to permit a cost deferral of $20 million in 2015.

13(a). The actual 2015 net income deficiency will be finalized upon conclusion of the GRA at which time the approved net income deficiency can be set aside in a deferral account for future recovery.

14. Schedule 3 to this Interim Rates Compliance Application provides the evidence showing the impacts on customers and Hydro by incorporating the findings of the Board in Order No. P.U. 14(2015).

15. Hydro submits that this Interim Rates Compliance Application is in accordance with the directives of the Board in Order No. P.U. 14(2015) and proposes the Board approve on an interim basis effective July 1, 2015:

(a) the RSP rate to be charged by Hydro to Newfoundland Power, as calculated in Schedule A to the filing with the Board on April 21, 2015;

(b) the revised base Utility Rate;

(c) the revised base rate and RSP Adjustment for Island Industrial Customers;

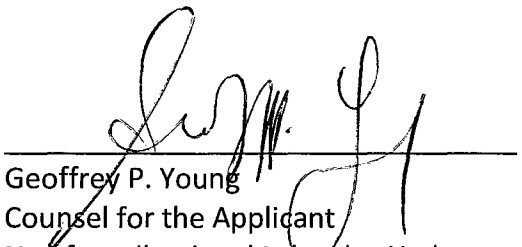
(d) the revised rates for Government customers on Isolated Diesel Systems;

(e) the revised RSP rules and the new RSP Adjustment to provide for the disposition of the Industrial Customer RSP Surplus and limit the effective customer rate impact to 2.7%; and

(f) the proposed 2015 Revenue Deficiency Deferral Account.

DATED AT St. John's in the Province of Newfoundland and Labrador this 27th day of May 2015.

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
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IN THE MATTER OF the *Public Utilities Act*, R.S.N. 1990, Chapter P-47 (the "Act"); and

IN THE MATTER OF a general rate application by Newfoundland and Labrador Hydro to establish customer electricity rates for 2015; and

IN THE MATTER OF an application (the "Interim Rates Compliance Application") by Newfoundland and Labrador Hydro for approval of: (i) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 14(2015), (ii) a revised Rate Stabilization Plan adjustment to apply to the Utility Rate for the period July 1, 2015 to June 30, 2016 and (ii) a proposed deferral account.

AFFIDAVIT

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

1. I am Manager, Rates and Regulation, of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.

2. I have read and understand the foregoing Application.

3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the Province of Newfoundland and Labrador, this 21st day of May 2015, before me:

Barrister – Newfoundland and Labrador

Kevin J. Fagan

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

Availability:

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

Definitions:

"Billing Demand"

In accordance with Order No. P.U. 47(2014), the Curtailable Credit shall apply to determine the billing demand as an adjustment to the highest Native Load established during the winter period beginning in December 1, 2014 and ending March 31, 2015. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below. The use of the Curtailable Credit in determining billing demand for subsequent winter periods will be subject to a further Order of the Board.

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	80,104
Thermal Generation Credit	37,826
Total Generation Credit	117,930

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

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, Newfoundland Power will be provided 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.

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

In order to receive the Curtailable Credit, NP must demonstrate the capability to curtail its customer load requirements to the level of the Curtailable 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 Curtailable 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 Curtailment Credit, no test will be required.

NP will be required to provide a report to Hydro not 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 Curtailable 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 Curtailment Credit will established based upon the lesser of the load reduction achieved in the test or the forecast curtailable 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 Curtailable Credit.

The Curtailable Credit reflected in the Minimum Billing Demand will be set to equal the curtailable 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.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

"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 1000)

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.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

Monthly Rates:

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

$4.32 per kW of billing demand

Energy Charge:
First 250,000,000 kilowatt-hours* ..... @ 3.506 ¢ per kWh
All excess kilowatt-hours* ..... @ 9.509 ¢ per kWh

Firming-up Charge:
Secondary energy supplied by
Corner Brook Pulp and Paper Limited* ..... @ 0.908 ¢ per kWh

RSP Adjustment:
Current Plan ..... @ (0.715) ¢ per kWh
Fuel Rider ..... @ 0.532 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours ..... @ (0.183) ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

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.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM) (continued)

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 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 weight 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 on 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 Weather-Adjusted Native Load by April 5th of each year.

General:

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

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

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL - FIRM (continued) - INTERIM

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Base Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be $7.35 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate* ..... @ 4.044 ¢ per kWh

RSP Adjustment:

Current Plan ..... @ 0.000 ¢ per kWh
Fuel Rider ..... @ 0.000 ¢ per kWh
RSP Surplus Adjustment..... @ (0.359) ¢ per kWh

Total RSP Adjustment – All kilowatt-hours .....@ (0.359) ¢ per kWh

Net Energy Rate ..... @ 3.685 ¢ per kWh

Specifically Assigned Charges:

The table below contains the additional annual specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	$ 381,884
North Atlantic Refining Limited	$ 166,074
Teck Resources Limited	$ 204,786

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL - FIRM (continued) - INTERIM

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.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL - FIRM (continued) - INTERIM

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used

B = the conversion factor for the source used (kWh/bbl)

C = the administrative and variable operating and maintenance charge (10%)

D = the average system losses on the Island Interconnected grid for the last five years ending in 2005 (2.68%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl.

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.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL - WHEELING - INTERIM

Availability:

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy and whose Industrial Service Agreement so provides.

Rate:

Energy Charge:

All kWh (Net of losses)* ..... @ 0.4224 ¢ per kWh

* For the purpose of this Rate, losses shall be 2.68%, the average system losses on the Island Interconnected Grid for the last five years ending in 2005.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM)

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro) is established for Hydro's Utility customer, 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 cost used at Hydro's Holyrood generating station;
- customer load (Utility and Island Industrial); and
- rural rates.

The formulae used to calculate the Plan's activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

Section A: Hydraulic Production Variation

1. **Activity:**
   Actual monthly production is compared with the Test Year Cost of Service Study in accordance with the following formula:

   $$\{(A - B) \div C\} \times D$$

   Where:

   A = Test Year Cost of Service Net Hydraulic Production (kWh)
   B = Actual Net Hydraulic Production (kWh)
   C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)
   D = Monthly Test Year Cost of Service No. 6 Fuel Cost ($Can /bbl.)

2. **Financing:**
   Each month, financing charges, using Hydro's approved Test Year weighted average cost of capital, will be calculated on the balance.

3. **Hydraulic Variation Customer Assignment:**
   Customer assignment of hydraulic variations will be performed annually as follows:

   $$(E \times 25\%) + F$$

   Where:

   E = Hydraulic Variation Account Balance as of December 31, excluding financing charges
   F = Financing charges accumulated to December 31

   The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

4. Customer Allocation:

The annual customer assignment will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances respectively as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration

1. Activity

1.1 Fuel Cost Variations

This is based on the consumption of No. 6 Fuel at the Holyrood Generating Station:

$$(G - D) \times H$$

Where:

D = Monthly Test Year Cost of Service No. 6 Fuel Cost ($Can /bbl.)
G = Monthly Actual Average No. 6 Fuel Cost ($Can /bbl.)
H = Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)

1.2 Load Variations

Firm: Firm load variation is comprised of fuel and revenue components. The load variation is determined by calculating the difference between actual monthly sales and the Test Year Cost of service Study sales, and the resulting variance in No. 6 fuel costs and sales revenues. It is calculated separately for Newfoundland Power firm sales and Industrial firm sales, in accordance with the following formula:

$$(I - J) \times \{(D \div C) - K\}$$

Where:

C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)
D = Monthly Test Year Cost of Service No. 6 Fuel Cost ($Can /bbl.)
I = Actual Sales, by customer class (kWh)
J = Test Year Cost of Service Sales, by customer class (kWh)
K = Firm energy rate, by customer class

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

Secondary: Secondary load variation is based on the revenue variation for Utility Firmed-Up Secondary energy sales compared with the Test Year Cost of Service Study, in accordance with the following formula:

$$(J - I) \times L$$

Where:

I = Actual Sales (kWh)
J = Test Year Cost of Service Sales (kWh)
L = Secondary Energy Firming Up Charge

1.3 Rural Rate Alteration

(a) Newfoundland Power Rate Change Impacts:
This component is calculated for Hydro's rural customers whose rates are directly or indirectly impacted by Newfoundland Power's rate changes, with the following formula:

$$(M - N) \times O$$

Where:

M = Cost of Service rate [1]
N = Existing rate
O = Actual Units (kWh, bills, billing demand)

(b) Rural Labrador Interconnected Automatic Rate Adjustments:
This component reflects the impact of the automatic rate adjustments for Hydro's rural customers on the Labrador Interconnected system, which arise from the phase-in of the application of the credit from secondary energy sales to CFB Goose Bay to the rural deficit.

Monthly adjustments will be subject to revision when a new Test Year Cost of Service is approved by the Public Utilities Board for Hydro. The amount of the automatic rate adjustment is ($98,295.)

2. Monthly Customer Allocation: Load and Fuel Activity

Each month, the load variation will be held in a separate account in the Plan, until its disposition is ordered by the Board of Commissioners of Public Utilities.

1

- Hydro's schedule of rates for its rural customers not affected by the December 6th, 2006 Government directive.
- For customers affected by the December 6th, 2006 Government directive, the Cost of Service rate equals the phased-in 2007 Forecast Cost of Service Rates for diesel rate classes 1.2D, 2.1D and 2.2D.
- No Rural Rate Alternation will arise from the phase-in of 2007 Forecast Cost of Service rates for the customers affected by the December 6th, 2006 Government directive.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

Each month, the year-to-date total for fuel price variation will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The year-to-date portion of the fuel price variation which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The current month's activity for Newfoundland Power, Island Industrials and regulated Labrador Interconnected customers will be calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month. The current month's activity allocated to regulated Labrador Interconnected customers will be removed from the Plan and written off to Hydro's net income (loss).

3. Monthly Customer Allocation: Rural Rate Alteration Activity

Each month, the rural rate alteration will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the Plan and written off to Hydro's net income (loss).

4. Plan Balances

Separate plan balances for Newfoundland Power, the Island Industrial customer class and the segregated load variation will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

Section C: Fuel Price Projection

A fuel price projection will be calculated to anticipate forecast fuel price changes and to determine fuel riders for the rate adjustments. For industrial customers, this will occur in October each year, for inclusion with the RSP adjustment effective January 1. For Newfoundland Power, this will occur in April each year, for inclusion with the RSP adjustment effective July 1.

1. Industrial Fuel Price Projection:

In October each year, a fuel price projection for the following January to December shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[\{(S - T) \times U\} - V] \times W$$

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

Where:

S = the September month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following January to December
T = Hydro's average Test Year contract discount (US $/bbl)
U = the monthly average of the $Cdn / $US Bank of Canada Noon Exchange Rate for the month of September
V = average Test Year Cost of Service purchase price for No. 6 Fuel ($Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year.

The industrial customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of September and is the ratio of Industrial Firm invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 10th working day of October.

2. Newfoundland Power Fuel Price Projection:

In April each year, a fuel price projection for the following July to June shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[\{(X - T) \times Y\} - V] \times W$$

Where:

T = Hydro's average Test Year contract discount (US $/bbl)
V = average Test Year Cost of Service purchase price for No. 6 Fuel ($Can /bbl.)
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year. For the 2007 Test Year, test year barrels are reduced by 589,208 based on the reduction in forecast Island Industrial customer load caused by the shutdown of one of the paper machines at Corner Brook Pulp and Paper and the shutdown of Abitibi Consolidated (Grand Falls).
X = the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for July to December of the current year and for the January to June period of the subsequent year.
Y = the monthly average of the $Cdn / $US Bank of Canada Noon Exchange Rate for the month of March.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

The Newfoundland Power customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of March and is the ratio of Newfoundland Power Firm and Firmed-Up Secondary invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy. For the 12 months-to-date (April 2008 - March 2009) Industrial Firm invoiced energy is reduced by 87,991,636 kWh to reflect the forecast reduction in Abitibi Consolidated (Grand Falls) load.

The amount of the forecast fuel price change, in Canadian dollars, and the details of the resulting fuel rider applied to the adjustment rate will be reported to Newfoundland Power, industrial customers, and the Public Utilities Board, by the 10th working day of April.

Section D: Adjustment

1. Newfoundland Power

As of March 31 each year, Newfoundland Power's adjustment rate for the 12-month period commencing the following July 1 is determined as the rate per kWh which is projected to collect:

Newfoundland Power March 31 Balance

less projected recovery / repayment of the balance for the following three months (if any), estimated using the energy sales (kWh) for April, May and June from the previous year

plus forecast financing charges to the end of the 12-month recovery period (i.e., June in the following calendar year),

divided by the 12-months-to-date firm plus firmed-up secondary kWh sales to the end of March.

A fuel rider shall be added to the above adjustment rate, based on the Newfoundland Power Fuel Price Projection amount (as per Section C.2 above) divided by 12-months-to-date kWh sales to the end of March.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

2. Island Industrial Customers

2.1 As of December 31 each year, the adjustment rate for industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance

plus forecast financing charges to the end of the following calendar year,

divided by 12-months-to-date kWh sales to the end of December.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

A fuel rider shall be added to the above adjustment rate, based on the Industrial Fuel Price Projection (as per Section C.1 above) amount divided by 12-months-to-date kWh sales to the end of December.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values. Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

2.2 Notwithstanding paragraph 2.1, as of July 1, 2015 the adjustment rate that provides for disposition of the current RSP balance and the application of the fuel rider to industrial customers will be set to zero until a further Order of the Board. Commencing July 1, 2015, the RSP Surplus Adjustment rate of (0.359)¢ per kWh will apply to industrial customers in accordance with Section E and Order No. P.U. 14 (2015). The RSP Surplus Adjustment rate will remain in effect until a further Order of the Board.

[]

Section E: RSP Surplus:

1. August 31, 2013 Balance:

The net load variation for Newfoundland Power and the Industrial Customers from January 1, 2007 to August 31, 2013, including financing (the RSP Surplus), will be removed from the respective customer class balance, and allocated based upon direction provided by Government in Orders in Council OC2013-089 and OC2013-207. The balances which remain after this amount is removed will form the adjusted August 31, 2013 current plan balances for each customer class.

The Industrial Customer class allocated amount will be used, firstly, to reduce the Industrial Customer class adjusted August 31, 2013 RSP balance to zero. OC2013-089 states that the remaining IC RSP Surplus is to be used to fund a three-year phase-in of rate increases for Island Industrial customers.

1.1 Industrial Customer RSP Surplus Disposition

Effective December 31, 2014, a one-time transfer from the Industrial Customer RSP Surplus will be applied to the Industrial Customer RSP current plan balance to reduce the December 31, 2014 current plan balance to zero. This transfer is in accordance with Order No. P.U. 14(2015).

An RSP Surplus Adjustment rate determined in accordance with Order No. P.U. 14(2015) will become effective July 1, 2015 to phase-in Industrial Customer rates using funds from the Industrial Customer RSP Surplus.

1.2 Newfoundland Power RSP Surplus Disposition

The Newfoundland Power allocated amount of the RSP Surplus will be segregated held until such

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

time as its disposition occurs in accordance with an Order of the Board of Commissioners of Public Utilities through a refund in accordance with Order in Council OC2013-089.

2. Plan Balances

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.2G (INTERIM)

DOMESTIC DIESEL

GOVERNMENT DEPARTMENTS

Availability:

For Service to Government Departments throughout the Island and Labrador diesel service areas of Hydro, 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:

Basic Customer Charge ..... $43.90 per month

Energy Charge:
All kilowatt-hours ..... @ 83.567 ¢ per kWh

Minimum Monthly Charge..... $43.90

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than $1.00 or more than $500.00, 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 schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1G (INTERIM)

GENERAL SERVICE DIESEL 0-10 kW

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge ..... $48.54 per month

Energy Charge:
All kilowatt-hours ..... @ 75.486¢ per kWh

Minimum Monthly Charge..... $48.54

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than $1.00 or more than $500.00, 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 schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE 2.2G (INTERIM)

GENERAL SERVICE DIESEL OVER 10 KW

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge: ..... $71.98 per month

Demand Charge:
The maximum demand registered on the meter in the current month..... @ $58.22 per kW

Energy Charge:
All kilowatt-hours..... @ 53.741 ¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than $1.00 or more than $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 AND LABRADOR HYDRO

RATE 4.1G (INTERIM)

STREET AND AREA LIGHTING SERVICE DIESEL

GOVERNMENT DEPARTMENTS (Continued)

Availability:

For Street and Area Lighting Service to Government Departments throughout the Island and Labrador Diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	$72.74
HIGH PRESSURE SODIUM [1]	
100W (8,600 lumens)	58.92
150W (14,400 lumens)	72.74

[1] Only High Pressure Sodium fixtures are available for all new installations and replacements.

General:

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

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 1.1L

DOMESTIC

Availability:

For Service throughout the Labrador Interconnected service area of Hydro, 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:

Basic Customer Charge: ..... $7.15 per month

Energy Charge:
All kilowatt-hours ..... @ 3.280 ¢ per kWh

Minimum Monthly Charge..... $7.15

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

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.1L

GENERAL SERVICE 0 - 10 kW

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge: ..... $10.45 per month

Energy Charge:
All kilowatt-hours ..... @ 5.240 ¢ per kWh

Minimum Monthly Charge: Single Phase..... $10.45
Three Phase..... $20.00

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

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.2L

GENERAL SERVICE 10 - 100 kW (110 kVA)

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, 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:

Demand Charge:
The maximum demand registered on the meter in the current month ..... @ $2.20 per kW

Energy Charge:
All kilowatt-hours ..... @ 2.433 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to $1.05 per kW of maximum demand occurring in the 12 months ending with the current month, but not less than $20.00 for a three phase service**.**

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 schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.3L

GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, 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:

Demand Charge:
The maximum demand registered on the meter in the current month .... @ $2.00 per kVA

Energy Charge:
All kilowatt-hours..... @ 2.103 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to $1.05 per kVA of maximum demand occurring in the 12 months ending with the current month.

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 schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 2.4L

GENERAL SERVICE 1000 kVA AND OVER

Availability:

For Service (excluding Domestic Service) throughout the Labrador Interconnected service area of Hydro, where the maximum demand occurring in the 12 month period ending with the current month is 1000 kilovolt-amperes or greater.

Rate:

Billing Demand Charge:
The maximum demand registered on the meter in the current month ..... @ $1.75 per kVA

Energy Charge:
All kilowatt-hours ..... @ 1.733 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 6.8 cents per kWh, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

An amount equal to $1.05 per kVA of maximum demand occurring in the 12 months ending with the current month.

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 schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.1L

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR[1]	
250W (9,400 lumens)	$ 13.50
HIGH PRESSURE SODIUM [2]	
100W (8,600 lumens)	10.00
150W (14,400 lumens)	13.50
250W (23,200 lumens)	17.80
400W (45,000 lumens)	23.00

[1] Fixtures previously owned by the Town of Wabush as of September 1, 1985, and transferred to Hydro in 1987.

[2] Only High Pressure Sodium fixtures are available for all new installations and replacements installed after September 1, 2002.

Special poles used exclusively for lighting service

Wood ..... $ 3.40

General:

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

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.11L

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro existing as of September 1, 2002.

Monthly Rate:

	SENTINEL / STANDARD
HIGH PRESSURE SODIUM[1]	
100W (8,600 lumens)	$ 6.75

[1] Any new fixtures added will be at the rates set out in Rate 4.1W.

Special poles used exclusively for lighting service

Wood ..... $ 3.25

General:

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

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 4.12L

STREET AND AREA LIGHTING SERVICE

Availability:

For Street and Area Lighting Service throughout the Labrador Interconnected service area of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by the customer.

Monthly Rate:

	SENTINEL / STANDARD
HIGH PRESSURE SODIUM	
100W (8,600 lumens)	$ 4.10

Special poles used exclusively for lighting service

Wood ..... $ 3.40

General:

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

NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 5.1L

SECONDARY ENERGY

Availability:

For Service to Customers on the Labrador Interconnected grid engaged in fuel switching who purchase a minimum of 1 MW load and a maximum of 24 MW, who provide their own transformer and, who are delivered power at primary voltages. Hydro shall supply Secondary Energy to the Customer at such times and to the extent that Hydro has Churchill Falls electricity available in excess of the amount it requires for its own use, and to meet its commitments and sales opportunities, present and future, for firm energy. Moreover, Hydro may interrupt or reduce the supply of Secondary Energy at its sole discretion for any cause whatsoever. The energy delivered shall be used solely for the operation of the equipment engaged in fuel switching.

Energy Charge:

The energy charge shall be calculated monthly based on:

EITHER:

A. The Customer's cost of fuel (cents per litre) most recently delivered to the Customer including fuel additives, if any, in accordance with the following formula:

Secondary Energy Rate = Constant Factor x Fuel Cost/Litre x 90%

$$\text{Constant Factor} = \frac{3413\ \text{BTU/kWh} \times A \times B}{C \times D}$$

Where:

A = Customer's Electric Boiler Efficiency

B = Transformer and Losses Adjustment Factor

C = BTU/Litre of the Customer's fuel

D = Customer's Oil-fired Boiler Efficiency

OR:

B. One (1) cent less than the New York Mercantile Exchange (NYMEX) settlement price for New York Independent System Operator (NYISO) Zone A Swap Peak electricity after the end of trading on the 19th day of the previous month, converted to Canadian dollars using the exchange rate at the closing of the same day.

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NEWFOUNDLAND AND LABRADOR HYDRO

RATE No. 5.1L

SECONDARY ENERGY

Prior to the commencement of service, the Customer will provide to Hydro the rate component values for insertion in the pricing formula for Secondary Energy. If subsequent changes to any of these rate components are required, the Customer will provide them to Hydro as soon as practicable. Hydro may require that these rate component values be verified.

Communications

The Customer and Hydro shall each designate a position within their respective staffs to be responsible for communications as to changes in the cost of the fuel delivered to the Customer. Hydro will contact the Customer's designate on or before the second working day of each month at which time the Customer's designate will inform Hydro of the fuel cost. If this information is unavailable to Hydro for any reason, Hydro will use the previous month's fuel cost and other inputs and make the adjustment to the correct values in the following month's billing.

Hydro will inform the Customer of the value of part B of the energy charge calculation on the first business day following the 21st day of the month preceding the month for which the rate is being set.

Power Factor

If the Customer's power factor is lower than 90%, the Customer shall upon written notice by Hydro provide, at the Customer's expense, power factor corrective equipment to ensure that a power factor of not less than 90% is maintained.

General:

Insofar as they are not inconsistent with the forgoing, the conditions of service provided in the Rules and Regulations shall apply to Customers in this rate class.

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

2015 Net Income Deficiency Deferral Account

This account shall provide for cost deferral of $20 million in 2015 to reduce Hydro's 2015 forecast net income deficiency which has resulted from delayed implementation of the rates proposed in its 2013 General Rate Application. Disposition of the balance in this account will be subject to an order of the Board.

Schedule 3

Evidence to Compliance Filing in Response to

Order No. P.U. 14(2015)

NEWFOUNDLAND AND LABRADOR HYDRO

May 2015

newfoundland labrador hydro
a nalcor energy company

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1.0 BACKGROUND

In its 2015 Interim Rates Application, Hydro requested that the proposed customer rates be approved on an interim basis effective March 1, 2015, in advance of completing its General Rate Application (GRA). This approach would reduce the amount of 2015 costs deferred for future recovery from customers. Hydro also proposed revised Rate Stabilization Plan (RSP) Rules to become effective on an interim basis effective March 1, 2015, to permit the continued phase-in of the Island Industrial Customer (IIC) rates.

In Order No. P.U. 14(2015) (the 2015 Interim Rates Order), the Board directed Hydro to file a revised Schedule of Rates, Tolls and Charges and RSP Rules to become effective July 1, 2015 with evidence showing the impacts on consumers and Hydro by incorporating the Board's decision. In compliance with the 2015 Interim Rates Order, this evidence provides (i) proposed customer rates and customer rate impacts; (ii) revised RSP Rules to permit the next stage of the phase-in of rates to IIC in accordance with Government directives; and (iii) the forecast 2015 financial impact on Hydro resulting from the Board's Order.

2.0 UTILITY RATE

In the 2015 Interim Rates Order, the Board approved an 8% increase in the base Utility Rate effective July 1, 2015. Hydro is proposing to apply the 8% increase equally to all rate components. An 8% increase to the Utility Rate which applies to Newfoundland Power (NP) would normally increase retail customer rates by approximately 5.4%.[1] However, the Board approved the base rate increase to become effective on July 1, 2015 at the same time as the annual NP RSP rate adjustment occurs. Hydro filed its updated RSP rate adjustments relative to the 2007 Test Year on April 21, 2015. The customer rate impact of the RSP rate adjustment more than offsets the approved base rate increase.

Table 1 provides a comparison of the existing and proposed Utility Rate including both the change in the base rates and the RSP adjustments.

Table 1
Utility Rate

Rate Component	Existing Rate	Proposed Rate	Change	Change (%)
Monthly Demand Charge ($/kW)	4.00	4.32	0.32	8.0
Monthly Energy Charges (¢/kWh)				
1st 250 GWh	3.246	3.506	0.260	8.0
Excess	8.805	9.509	0.704	8.0
Firming Up Charge	0.841	0.908	0.067	8.0
RSP Adjustments **(¢/kWh)**				
RSP – Current Plan	(0.551)	(0.715)	(0.164)	
RSP – Fuel Rider	1.526	0.532	(0.994)	
Total RSP Adjustment	0.975	(0.183)	(1.158)	

[1] Purchased power costs reflect approximately 67.5% of NP's cost of supply. 67.5% times 8.0% Utility Rate increase equals 5.4% retail customer increase.

Table 2 provides a summary of the combined customer impact of the 8% base rate increase and the RSP rate adjustment update.

Table 2
Utility and End Consumer Rate Change - July 1, 2015

	2015 Test Year Billing Units	Unit	Jan 1 2015 Existing Rates	$	July 1 2015 Proposed Rates	$	Utility	End Consumer
Demand (kWs)	15,122,049	$/kW/mo	4.00	60,488,196	4.32	65,327,252		
Energy (MWhs)	3,000,000	mills/kWh	32.46	97,380,000	35.06	105,180,000		
Energy (MWhs)	2,924,100	mills/kWh	88.05	257,467,005	95.09	278,052,669		
Total before RSP				415,335,201		448,559,921	8.0%	5.4%
RSP: Current Plar	5,924,100	mills/kWh	(5.51)	(32,641,791)	(7.15)	(42,357,315)		
RSP: Fuel Rider	5,924,100	mills/kWh	15.26	90,401,766	5.32	31,516,212		
Total RSP			9.75	57,759,975	(1.83)	(10,841,103)		
Total - Base Rate Change plus RSP				473,095,176		437,718,818	-7.5%	-5.0%

The combined effect of the approved base rate increase and the update to the RSP rate adjustment is a decrease of approximately 5.0% to NP customers. The 5.0% decrease would also apply to Hydro's Rural Customers with the exception of customers on the Labrador Interconnected System.[2] However, the bill impact differs for Hydro's Rural Domestic Customers in L'Anse au Loup and in Labrador Diesel Systems that are eligible for the Northern Strategic Plan (NSP) rebate provided by the Provincial Government, as those customers pay the Labrador Interconnected Domestic rate for a portion of their charges for which there is no rate change approved at this time.

Table 3 provides a comparison of the estimated rate change and the customer billing impacts for Hydro's Rural Domestic Customers on the L'Anse au Loup and Labrador Diesel Systems.

[2] In Order No. P.U. 14(2015), the Board approved no change in rates to the customers on the Labrador Interconnected System at this time.

Table 3 Customer Impacts for Domestic Customers Eligible for the NSP		
System	**Rate Impact (Excluding NSP)**	**Bill Impact (Including NSP)**
L'Anse au Loup	(5.0%)	(3.4%)
Labrador Isolated[3]	(5.0%)	(2.4%)

3.0 ISLAND INDUSTRIAL CUSTOMERS

3.1 Customer Rates

In the 2015 Interim Rates Order, the Board approved a 10% increase in the base rate for IIC effective July 1, 2015. Hydro is proposing to apply the 10% increase equally to all rate components. The Board also approved the use of the IIC RSP Surplus: (i) to fund an RSP Surplus adjustment which will result in an effective 2.7% rate increase for IIC effective July 1, 2015; and (ii) to fund the full amount of the 2014 year-end IIC RSP current balance of $6.8 million.

Table 4 provides the derivation of the RSP adjustment to reduce the customer rate impact from the approved 10% base rate increase to an effective 2.7% increase.

[3] The lesser billing impact of the rate decrease for customers on Labrador Isolated Systems relative to the L'Anse Au Loup System relates to the lower average usage of the customers on the Labrador Isolated Systems. The lower energy usage results in a higher percentage of the customer usage on the Labrador Isolated Systems being billed on the Labrador Interconnected Domestic rate for which no rate change is approved.

Table 4 **Calculation of IC RSP Surplus Adjustment**		
2015 Test Year IIC Revenue at Existing Rates[4]	A	$30,546,755
10% Increase in Revenue (A x 10%)	B	$3,054,676
2.7% Increase in Revenue (A x 2.7%)	C	$824,762
RSP Surplus Funding (D=C-B)[5]	D	($2,229,914)
2015 Test Year Sales Forecast (kWh)	E	621,400,000
RSP Surplus Adjustment (F=D/E)	F	(0.359)¢ per kWh

1 Table 5 provides a comparison of the existing and proposed IIIC rates including both the
2 change in the base rates and the RSP adjustments.
3

Table 5				
Island Industrial Customer Rate				
Rate Component	**Existing**	**Proposed**	**Change**	**Change (%)**
Monthly Demand Charge ($/kW)	6.68	7.35	0.67	10.0
Monthly Energy Charge (¢/kWh)	3.676	4.044	0.368	10.0
RSP Adjustment (¢/kWh)	0.00	(0.359)	(0.359)	
Net Energy Rate **(¢/kWh)**	3.676	3.685	0.009	
Specifically Assigned Charges – Annual ($)				
CBPP	347,167	381,884	34,717	10.0
NARL	150,976	166,074	15,098	10.0
Teck Resources[6]	186,169	204,786	18,617	10.0
Vale	-	-	-	-
Praxair	-	-	-	-
Wheeling	0.3840	0.4224	0.0384	10.0

[4] Source: Table 4.15, page 4.50 of Evidence to Hydro's Amended Application.
[5] The amount of RSP Surplus funding provided in Table 4 assumes the RSP Surplus Adjustment is in effect for all of 2015. The actual amount of RSP Surplus funding is dependent upon the time period the RSP Surplus Adjustment is in effect.
[6] Teck Resources is scheduled to close operations June 2015.

3.2 RSP Rules

The use of the IIC RSP Surplus to fund the full amount of the 2014 year-end IIC RSP current balance and to provide for the creation of the RSP Surplus Adjustment to limit the average customer rate increase to 2.7% requires revisions to the RSP rules. The proposed RSP rules to comply with the 2015 Interim Rates Order are provided in Schedule 1 to the Interim Rates Compliance Application.

4.0 GOVERNMENT DIESEL CUSTOMERS

In the 2015 Interim Rates Order, the Board approved an interim base rate increase for Hydro Rural Government Diesel Customers of 50% of the proposed increases.

Table 6 provides a comparison of the proposed percentage increases included in the 2015 Interim Rates Application and the proposed increases reflected in the Interim Rates Compliance Application.

Table 6
Government Diesel Rate Increases

Class	2015 Interim Rates Application[7]	Compliance Application[8]
Domestic Diesel (1.2G)	14.0%	7.0%
G.S. Diesel 0-10 kW (2.1G)	16.6%	8.3%
G.S. Diesel >10 kW (2.2G)	16.9%	8.45%
Street and Area Lighting (4.1G)	27.5%	13.75%

Table 7 provides a comparison of the proposed Hydro Rural Government Diesel Customer rates included in the 2015 Interim Rates Application and the proposed customer rates included in the Interim Rates Compliance Application.

[7] Source: Table 5 on page 16 of Evidence to 2015 Interim Rates Application.
[8] The proposed percentage increases are 50% of the increases proposed in the 2015 Interim Rates Application.

Table 7				
Hydro Rural Government Diesel Rates				
Rate Component	**Existing**	**Proposed**	**Change**	**Change (%)**
Domestic Diesel (1.2G)				
Basic Customer Charge ($)	41.03	43.90	2.87	7.00
Monthly Energy Charge (¢/kWh)	78.100	83.567	5.467	7.00
Minimum Monthly Charge ($)	41.03	43.90	2.87	7.00
G.S. Diesel 0-10 kW (2.1G)				
Basic Customer Charge ($)	44.82	48.54	3.72	8.30
Monthly Energy Charge (¢/kWh)	69.701	75.486	5.785	8.30
Minimum Monthly Charge ($)	44.82	48.54	3.72	8.30
G.S. Diesel >10 kW (2.2G)				
Basic Customer Charge ($)	66.37	71.98	5.61	8.45
Monthly Demand Charge ($/kW)	53.68	58.22	4.54	8.45
Monthly Energy Charge (¢/kWh)	49.554	53.741	4.187	8.45
Street and Area Lighting (4.1G)				
250 W MV ($)	63.95	72.74	8.79	13.75
100 W HPS ($)	51.80	58.92	7.12	13.75
150 W HPS ($)	63.95	72.74	8.79	13.75

5.0 SUMMARY OF CUSTOMER IMPACTS

The 2015 Interim Rates Order directed Hydro to file an updated Table 5 from the Evidence to Hydro's 2015 Interim Rates Application providing customer impacts including the effect of the NSP. Table 8 provides an update to Table 5 in the Evidence to Hydro's 2015 Interim Rates Application. The effect of the NSP on customer billings is provided in Table 3 to this evidence.

Table 8 2015 Proposed Customer Rate Impacts[9]			
	Amended Application	**2015 Interim Application**	**Interim Rates Compliance Application**
Island Interconnected System			
Newfoundland Power – Wholesale rate	4.1%	(9.3%)	(7.5%)
Estimated end consumers rate impact	2.8%	(6.3%)	(5.0%)
Estimated rural consumers rate impact	2.8%	(6.3%)	(5.0%)
Industrial Customers – Base Rates	39.2%	18.1%	10.0%[10]
Island Isolated Systems			
Domestic	7.1%	(6.3%)	(5.0%)
General Service 0-10 kW	18.5%	(6.3%)	(5.0%)
General Service Over 10 kW	19.2%	(6.3%)	(5.0%)
Street and Area Lighting	2.8%	(6.3%)	(5.0%)
Island Isolated - Government Departments			
General Service 0-10 kW	24.7%	16.6%	8.3%
General Service Over 10 kW	25.4%	16.9%	8.45%
Street and Area Lighting	27.5	27.5%	13.75%
Labrador Interconnected System			
Domestic	1.9%	1.9%	0%
General Service 0 – 10 kW	1.9%	1.9%	0%
General Service 10 - 100 kW	1.9%	1.9%	0%
General Service 110 - 1000 kVA	1.9%	1.9%	0%
General Service 1000 kVA and Over	1.9%	1.9%	0%
Street and Area Lighting	17.5%	17.5%	0%
Labrador Isolated Systems			
Domestic	7.1%	(6.3%)	(5.0%)
General Service 0-10 kW	18.5%	(6.3%)	(5.0%)
General Service Over 10 kW	19.2%	(6.3%)	(5.0%)
Street and Area Lighting	2.8%	(6.3%)	(5.0%)
Labrador Isolated - Government Departments			
Domestic	21.5%	14.0%	7.0%
General Service 0-10 kW	24.7%	16.6%	8.3%
General Service Over 10 kW	25.4%	16.9%	8.45%
Street and Area Lighting	27.5%	27.5%	13.75%
L'Anse Au Loup System			
Domestic	2.8%	(6.3%)	(5.0%)
General Service 0-100 kW	2.8%	(6.3%)	(5.0%)
General Service 110 - 1000 kVA	2.8%	(6.3%)	(5.0%)
General Service 1000 kVA and Over	2.8%	(6.3%)	(5.0%)
Street and Area Lighting	2.8%	(6.3%)	(5.0%)

[9] Excludes the effects of the NSP which applies to customers on Isolated Systems in Labrador.
[10] The final customer rate impact is 2.7%; see Section 3.1 to this evidence.

6.0 FINANCIAL IMPACTS

6.1 Delayed Rate Implementation

The Amended Application, filed on November 10, 2014, is based on a 2015 Test Year for the purpose of setting new base rates for customers to become effective in 2015. Based on existing rates, Hydro would achieve a return on rate base of 3.33% in 2015. The Amended Application proposed to implement interim IIC rates and start the next stage of the IIC rate phase-in beginning January 1, 2015. The Amended Application also proposed to implement proposed rates for NP and retail customers on an interim basis effective February 1, 2015 with the financial impact of delayed implementation set aside in a deferral account for future recovery. Hydro's proposals for early implementation of interim rates in 2015 would have minimized the amount of 2015 costs deferred for future recovery from customers.

In a letter to Hydro, dated December 24, 2014, the Board advised that it was unable to make a determination with respect to the proposed revised interim IIIC rates prior to January 1, 2015. The Board directed Hydro to file a comprehensive and complete application setting out proposals for interim rates for NP and IIIC to be effective March 1, 2015, and setting out the implications of these proposals for Hydro Rural Customers. Hydro filed its 2015 Interim Rates Application on January 28, 2015.

Hydro's 2015 Interim Rates Application stated that delayed implementation to March 1, 2015 would provide a net income deficiency of approximately $20 million in 2015. The evidence also stated that a further delay to a July 1, 2015 implementation date may result in a forecast net loss for 2015. The 2015 Interim Rates Order approved rate increases to become effective July 1, 2015.

6.2 Updated 2015 Test Year Financial Forecast

Hydro's 2015 Test Year forecast income statement showed a net loss of $34.6 million for 2015 under existing rates[11] and net income of $33.2 million under proposed rates[12] (i.e., assuming the proposed rates had been approved effective January 1, 2015). Table 9 provides an updated 2015 Test Year Forecast net income and 2015 Test Year Net Income Deficiency to reflect the additional revenue resulting from interim rate approvals provided by the Board.

Table 9
2015 Test Year Net Income Update
($millions)

2015 Test Year Net Income (Loss) under existing rates	(34.6)
Additional Revenue:	
Lab IC Transmission - Interim Approval effective January 1, 2015	4.1
Additional 2015 Revenue - Interim Approval effective July 1, 2015	21.9
Subtotal	26.0
2015 Updated Forecast Net Income (Loss)	(8.6)
2015 Test Year Net Income (Loss) under Amended Application proposed rates effective January 1, 2015	33.2
2015 Test Year Net Income Deficiency	41.8

Table 9 shows that the approval of an additional $26 million in revenue for 2015 still results in a forecast net income deficiency of $41.8 million based upon the updated 2015 Test Year and a forecast net loss of approximately $8.6 million. The forecast net income deficiency for 2015 of $41.8 million results from the delayed rate implementation in 2015.

[11] See Schedule II, Finance evidence in Hydro's Amended Application.
[12] See Schedule I, page 1 of 11, Finance evidence in Hydro's Amended Application.

In the 2015 Interim Rates Order the Board stated:

"The Board will consider the rate proposals for each customer class balancing the interests of the utility and consumers so that the rates, to the extent practical in the circumstances, allow the utility the opportunity to earn a fair return and ease rate shock and contribute to rate stability and intergenerational equity."

The 2015 Interim Rates Order, on its own, does not accomplish the objective of providing Hydro the opportunity to earn a fair return in 2015. Hydro believes additional cost recovery in 2015 is necessary to provide a reasonable balance of the interests of both the utility and its customers. Board approvals of interim rates in 2015 provide Hydro the opportunity to recover approximately 38% the forecast net income deficiency based upon existing rates (i.e., $26 million/ $67.8 million) and results in a forecast financial loss of $8.6 million in 2015 The evidence provided to Board in responses to requests for information in its review of the 2015 Interim Rates Application shows that a higher proportion of cost recovery is common in regulatory decisions on interim rates in Alberta and Manitoba.

Hydro's proposal for implementation of interim rates on March 1, 2015 provided recovery of approximately 70% of the forecast 2015 net income deficiency.[13] An additional $20 million in cost recovery to that approved by the Board to be recovered through interim rates from customers is required to permit Hydro to recover 70% of the forecast 2015 net income deficiency. Hydro has included in its Interim Rates Compliance Application a request for approval of a cost deferral of $20 million to reduce Hydro's forecast 2015 net income deficiency.[14]

[13] See Table 1 on page 27 of Hydro's submission on the 2015 Interim Rates Application dated February 25, 2015.

[14] The 2015 Revenue Deficiency Deferral Account is provided in Schedule 2 to the Interim Rates Compliance Application.

Approval of the proposed cost deferral would provide for a forecast net income of $11.4 million based upon the forecast 2015 Test Year.[15] This amount is $21.8 million less than the proposed 2015 Test Year net income of $33.2 million. The actual 2015 net income deficiency will be finalized upon conclusion of the GRA at which time the approved net income deficiency (that has resulted from delayed implementation of customer rates for 2015) can be set aside in a deferral account for future recovery.

Appendix 1 to this evidence provides an update to the 2015 Test Year income statement provided in the Amended Application to reflect the Board's decisions in the 2015 Interim Rates Order. It includes updates to revenues, return on equity and return on rate base based upon the 2015 Test Year costs and the base rate increases approved in the 2015 Interim Rates Order and the interim order on Labrador Industrial transmission rates.

[15] $11.4 million = Forecast net loss of $8.6 million + $20 million.

Appendix 1

Appendix 1
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Newfoundland and Labrador Hydro
Updated 2015 Test Year Income Statement Reflecting Interim Rate Approvals
($000s)

		Existing Rates 2015	Approved Interim Rates [1] 2015	Change
1	**Revenue**			
2	Energy sales	520,329	546,377	26,048
3	Revenue deficiency	-	-	-
4	Other revenue	2,508	2,508	-
5	**Total revenue**	522,837	548,885	26,048
6				
7	**Expenses**			
8	Operating expenses	135,325	135,325	-
9	Fuels			-
10	No. 6 fuel	244,914	244,914	-
11	Rate stabilization plan deferral	(73,978)	(73,978)	-
13	Diesel and other	22,940	22,940	-
14	Total fuels	193,876	193,876	-
15	Fuel supply deferral	1,991	1,991	-
16	Power purchases	63,254	63,254	-
17	Amortization	63,792	63,792	-
18	Accretion	878	878	-
19	Other Income and expenses	4,074	4,074	-
20	Interest	94,561	94,561	-
21	**Total expenses**	557,751	557,751	-
22				-
23	**Net income before cost of service exclusions**	(34,914)	(8,866)	26,048
24	less: Assets Not In Service Depreciation	331	331	-
25		(34,583)	(8,535)	26,048
26				-
27	Return on regulated equity	(34,583)	(8,535)	26,048
28	Net interest	94,561	94,561	-
29	**Return on rate base**	59,978	86,026	26,048
30				
31	**Average rate base**	1,803,149	1,803,149	-
32				
33	**Rate of return on rate base**	3.33%	4.77%	1.44%

[1] Revenue has been updated to reflect interim rate increases approved in Board Order P.U. 14(2015) and Order No. 57(2014).