newfoundland labrador hydro
a nalcor energy company

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June 29, 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 (Revised)

Pursuant to Board Order No. P.U. 17(2015) (the "Interim Order"), enclosed please find the original plus 12 copies of Hydro's revised schedule 1 as there was an error in the Specifically Assigned Charges as they differ from those provided in Schedule 3. Hydro apologises for any confusion this may have caused.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Kevin J. Fagan
Manager, Rates and Regulation

KJF/bs

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 Industrial Rates Application") by Newfoundland and Labrador Hydro for approval of interim industrial customer rates, tolls and charges and RSP Rules reflecting the determinations set out in Order No. P.U. 17(2015).

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

The INTERIM INDUSTRIAL RATES 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. 29(2013) approved the implementation of an RSP rate of (1.111) cents per kWh for Teck Resources Limited to comply with the direction of the Government.

5. 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.

6. On May 27, 2015, Hydro filed an application in response to the Board's findings in the 2015 Interim Rates Order.

7. The Board provided correspondence by letter on June 3, 2015 stating that the 2015 Interim Rate Compliance Application did not comply with the 2015 Interim Rates Order and directed Hydro to amend and re-file the application.

8. On June 5, 2015, Hydro filed a Revised Compliance Application in response to the Board's findings in its June 3, 2015 letter.

9. Order No. P.U. 17(2015) approved the rates as proposed by Hydro in its June 5, 2015 Revised Compliance Application for Newfoundland Power and Government Diesel customers effective July 1, 2015 but provided additional direction to Hydro on the requirements for rates and RSP rules, to become effective July 1, 2015 for Island Industrial Customers.

10. Order No. P.U. 17(2015) requires a 10% increase in base rates and RSP adjustments created to result in a 2.7% increase in base rates for each individual Island Industrial Customer.

11. Schedule 1 and 2 to this Interim Industrial Rates Application provide the proposed IIC rates and revised RSP rules, to become effective July 1, 2015, in compliance with the directions of the Board provided in Order No. P.U. 17(2015).

12. Schedule 3 to this Interim Industrial Rates Application provides a table illustrating the impact of the 2.7% increase in base IIC rates.

13. Hydro submits that this Interim Industrial Rates Application is in accordance with the directives of the Board in Order No. P.U. 17(2015) and proposes the Board approve on an interim basis effective July 1, 2015:

(a) the revised base rate and RSP adjustments for Island Industrial Customers;

(b) the revised RSP adjustment specifically for Teck Resources; and

(c) the revised RSP rules and the new IIC RSP Surplus Adjustments to provide for the disposition of the IIC RSP Surplus and limit the effective base rate impact to 2.7% for each individual IIC including Teck Resources.

DATED AT St. John's in the Province of Newfoundland and Labrador this 26th day of June 2015.

NEWFOUNDLAND AND LABRADOR HYDRO

Geoffrey P. Young
Counsel for the Applicant
Newfoundland and Labrador Hydro
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland and Labrador
A1B 4K7
Telephone: (709) 737-1277
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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 Industrial Rates Application") by Newfoundland and Labrador Hydro for approval of interim industrial customer rates, tolls and charges and RSP Rules reflecting the determinations set out in Order No. P.U. 17(2015).

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 Interim Industrial Rates Application.

2. I have read and understand the foregoing Interim Industrial Rates 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 26th day of June 2015, before me:)

Barrister – Newfoundland and Labrador

Kevin J. Fagan

Schedule 1

INTERIM INDUSTRIAL RATES APPLICATION

NEWFOUNDLAND AND LABRADOR HYDRO

June 26, 2015

newfoundland labrador hydro
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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

Total RSP Adjustment – All kilowatt-hours ..... @ 0.000 ¢ per kWh**

**** Exceptions:**
Teck Resources Limited RSP Adjustment ..... @ (1.141) ¢ per kWh

RSP Surplus Adjustment:

Demand ..... @ (0.49) ¢ per kW
Firm Energy ..... @ (0.269) ¢ per kWh

Net Demand Rate ..... @ $6.86 per month
Net Energy Rate ..... @ 3.775 ¢ per kWh***

***** Exceptions:**
Teck Resources Limited Net Energy Rate ..... @ 2.634 ¢ 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.

NEWFOUNDLAND AND LABRADOR HYDRO

INDUSTRIAL - FIRM (continued) - INTERIM

	Annual Amount
Corner Brook Pulp and Paper Limited	$ 347,167
North Atlantic Refining Limited	$ 150,976
Teck Resources Limited	$ 186,169

***Subject to RSP Adjustments:**

RSP Adjustments 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 and also provides for disposition of the Industrial Customer RSP Surplus.

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)* ..... @ 0.384 ¢ 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.**

Schedule 2

INTERIM INDUSTRIAL RATES APPLICATION

NEWFOUNDLAND AND LABRADOR HYDRO

June 26, 2015

newfoundland labrador hydro
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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)

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

K = Firm energy rate, by customer class

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.)

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)

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.

   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,

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

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

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).

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

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.

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.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

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.

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 will include an energy rate of (0.269)¢ per kWh and a demand rate of (0.49)¢ per kW, applicable to all industrial customers in accordance with Section F and Order No. P.U. 17(2015). The RSP Surplus Adjustment will remain in effect until a further Order of the Board.

Section E: Historical Plan Balances:

1. August 2002 Balance:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at August 2002 will be recovered over a 5-year collection period, with adjustment rates established each December 31, commencing December 31, 2002. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year annual weighted average cost of capital.

Newfoundland Power

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$A = (B - C + D) \div E \div F$$

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

Where:

A = adjustment rate ($ per kWh) for the 12-month period commencing the following July 1.
B = Balance December 31
C = projected recovery to the following June 30 (if any), estimated using the most recent energy sales (kWh) for the period January to June.
D = projected financing charges to the following June 30
E = number of years remaining in the adjustment period
F = energy sales (kWh) (firm and firmed-up secondary) to Newfoundland Power for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

Island Industrial Customers, excluding Teck Cominco Limited [Exempted pursuant to Order No. P.U.1(2007)]

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$G = H \div I \div J$$

Where:

G = adjustment rate ($ per kWh) for the 12-month period commencing the following January 1.
H = Balance December 31
I = number of years remaining in the adjustment period
J = firm energy sales (kWh) to Industrial Customers, excluding sales to Teck Cominco Limited, for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

2. **RSP Balance, December 31, 2003:**
Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at December 31, 2003 will be consolidated with the outstanding August 2002 customer balances as of December 31, 2003, and will be included with the Newfoundland Power and Island Industrial customer balances respectively for rate-setting purposes as of December 31, 2003.

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN (INTERIM) (Continued)

Section F: 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.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.141)¢ per kWh determined in accordance with Order No. P.U. 17(2015), will become effective July 1, 2015 and segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

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 determined in accordance with Order No. P.U. 17(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 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.

Schedule 3

INTERIM INDUSTRIAL RATES APPLICATION

NEWFOUNDLAND AND LABRADOR HYDRO

June 26, 2015

newfoundland labrador hydro
a nalcor energy company

Schedule 3

Comparison of Existing and Proposed Rates
Island Industrial Customer Rates

Rate Component	Existing	Proposed	Change	Change (%)
Monthly Demand Charge ($/kW)	6.68	7.35	0.67	10
Monthly Energy Charge (¢/kWh)	3.676	4.044	0.368	10
RSP Adjustments:				
RSP Adjustment (¢/kWh)	0.00	0.00	0.00	
RSP Adjustment - Teck Resources (¢/kWh) [1]	(1.111)	(1.141)	(0.030)	
RSP Surplus Adjustments				
Demand (¢/kW)	0.00	(0.49)	(0.49)	
Energy (¢/kWh)	0.00	(0.269)	(0.269)	
Net Energy Rate (¢/kWh):	3.676	3.775	0.099	2.7
Net Energy Rate - Teck Resources (¢/kWh)	2.565	2.634	0.069	2.7
Net Demand Rate ($/kW)	6.68	6.86	0.18	2.7
Specifically Assigned Charges – Annual ($)				
CBPP	347,167	347,167	0	
NARL	150,976	150,976	0	
Teck Resources [2]	186,169	186,169	0	
Vale	-	-	-	
Praxair	-	-	-	
Wheeling (¢/kWh)	0.384	0.384	0	

[1] Proposed revised RSP Adjustment rate of (1.141) ¢/kWh is required to effect a net 2.7% base rate increase for Teck Resources. Calculation is as follows:

	C/kWh	Notes
A IC Energy - Current	3.676	
B Teck RSP Adjustment - Current	-1.111	
C Teck Net Energy Rate - Current	2.565	
D Teck Net Energy Rate - Proposed	2.634	**= C * 1.027**
E IC Net Energy Rate - Proposed	3.775	**= A * 1.027**
F Teck RSP Adjustment - Proposed	-1.141	**= D - E**

[2] Teck Resources is scheduled to close operations June 2015.