

1 Q. Provide proposed changes to the Rate Stabilization Plan rules which implement a
2 Rate Stabilization Plan Surplus adjustment, reflecting all revenue flowing from the
3 Rate Stabilization Plan Surplus, including changes to the specifically assigned
4 charges. Ensure that the rules address every proposed change for the full phase-in
5 period.

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8 A. Please see the attached RSP rules, which are Hydro's amendments to the proposed
9 changes included on pages 9 and 10 of Schedule B to Hydro's Interim Rates
10 Application, to reflect the full phase-in period requested. The rates for the
11 September 2014 - August 2015 period are formula driven, as actual rates will be
12 dependent upon the outcome of Hydro's GRA. Hydro intends to file an application
13 with the Board for approval of actual phase-in rates at the appropriate time.

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RATE STABILIZATION PLAN (INTERIM)

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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.

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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)

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K = Firm energy rate, by customer class

Secondary: Secondary load variation is based on the revenue variation for Utility Firm-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

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- 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.

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

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

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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 the following July to December, and the most recent long-term PIRA Energy Group average annual forecast for No. 6 fuel prices at New York Harbour for the following January to June.
Y = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of March.

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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

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.

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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.

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:

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

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:

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

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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.

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. The remaining Industrial Customer class allocated amount will be segregated until its disposition is ordered by the Board of Commissioners of Public Utilities.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.111) ¢ per kWh, approved by the Board of Commissioners of Public Utilities in Order No. P.U. 29(2013), shall be segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

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.

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3. Island Industrial Customer RSP Surplus Balance:

The RSP Surplus balance allocated to the Industrial Customer class will be used to fund a phase-in of new Industrial Customer base rates effective September 1, 2013 using monthly adjustments determined as follows:

3.1 Island Industrial Customers excluding Teck Resources

The monthly adjustment for each month from September 1, 2013 to August 31, 2015 will be determined for each billing component (demand, energy and specifically assigned charge) for each Industrial Customer, except Teck Resources, as follows:

$$A = (B - C) \times D$$

Where:

- A = Monthly RSP Adjustment
B = Approved Island Industrial Customer base rate
C = Phase-In Industrial Customer rate, calculated in accordance with the formula below
D = Actual monthly Industrial Customer billing units

Phase-In Industrial Customer Rates – September 1, 2013 to August 31, 2014

The Phase-In Industrial Customer rates will be calculated for each of demand, energy, and each customer's specifically assigned charges. For Industrial Customers, except Teck Resources, the phase-in rates for the twelve months commencing September 1, 2013 will be the base rates approved in Hydro's 2007 Test Year. These rates are:

- Demand Charge: \$6.68 per month per kilowatt of billing demand
Firm Energy Charge: Base Rate 3.676 ¢ per kWh

Specifically Assigned Charges:	Annual Amount
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
	\$ 498,143

Phase-In Industrial Customer Rates – September 1, 2014 to August 31, 2015

The Phase-In Industrial Customer rates for the twelve months commencing September 1, 2014 for each of demand, energy, and each customer's specifically assigned charges will be calculated as follows:

$$E = F \times (1 + G)$$

Where:

E = Phase-In Industrial Customer rate

F = Phase-In Industrial Customer rate in effect as of August 31 of that year

G = Equal annual percentage required over the three-year phase-in period to achieve the total change between:

- Hydro's revenue from these customers calculated using the 2007 Test Year rates,

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- including the RSP adjustment in effect August 31, 2013, and
- the revenue for those customers calculated using those rates approved by the Board based on Hydro's 2013 Test Year, excluding any RSP adjustment,

using the 2013 Test Year billing units.

Phase-In Industrial Customer Rates – September 1, 2015

Effective September 1, 2015, the Phase-In Industrial Customer rates will be the most recent Board approved Test Year rates.

3.2 Teck Resources

The monthly adjustment for each month commencing September 1, 2013 until final approval of 2013 Test Year base rates will include an RSP credit of (1.111) ¢ per kWh. The Phase-In rates for Teck Resources commencing September 1, 2013 will be:

Demand Charge: \$6.68 per month per kilowatt of billing demand
Firm Energy Charge: Base Rate 3.676 ¢ per kWh

RSP Adjustment (1.111) ¢ per kWh

Specifically Assigned Charges: Annual Amount
\$186,169

Note: Once final base rates are approved based upon Hydro's 2013 Test Year, Hydro will apply for the disposition of any difference between the adjustment amounts calculated and the adjustment which would have been calculated using the 2013 approved Test Year rates. The difference will be refunded to, or collected from, Teck Resources, in a manner to be approved by the Board.

Teck Resources Phase-In Industrial Customer monthly adjustment will be calculated in a manner similar to those specified above for the other Industrial Customers, as follows:

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

Where:

L = Monthly RSP Adjustment
M = Approved Island Industrial Customer base rate
N = Phase-In Teck Resources Industrial Customer rate
O = Actual monthly Teck Resources billing units

Phase-In Teck Resources Industrial Customer Rates – September 1, 2014 to August 1, 2015

Upon the approval of 2013 Test Year rates, Teck Resources Phase-In Industrial Customer rates for each of demand, energy, and specifically assigned charges will be calculated in the same

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manner as specified above for the other Industrial Customers except that the September 1, 2014 to August 31, 2015 rates will be calculated based upon the 2007 Test Year rates, with the energy charge reduced by the rate per kWh in effect as of September 1, 2013, as outlined above.

The calculation is:

$$P = Q \times (1 + R)$$

Where:

P = Phase-In Teck Resources rate

Q = Phase-In Teck Resources rate in effect as of August 31 of that year

R = Equal annual percentage required over the three-year phase-in period to achieve the total change between:

- Hydro's revenue for this customer calculated using the 2007 Test Year rates including the RSP adjustment in effect on August 31, 2013, and
- the revenue for this customer calculated using those rates approved by the Board based on Hydro's 2013 Test Year, but excluding any RSP adjustment

using the 2013 Test Year billing units.

Phase-In Teck Resources Industrial Customer Rates – September 1, 2015

Effective September 1, 2015, Teck Resources will be charged the most recent Board approved Test Year rates consistent with the other Industrial Customers.

The monthly adjustments will be applied to the balance each month. At the end of the phase-in period, any remaining balance will be added to the Industrial Customer plan then in effect.