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DELIVERED BY HAND

May 16, 2013

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Ladies & Gentlemen:

**Re: Application Filed in Compliance with Order No. P.U. 13 (2013)**

**A. General:**

***The Compliance Application***

In Order No. P.U. 13 (2013) (the "General Rate Order"), the Board of Commissioners of Public Utilities (the "Board") made a number of determinations on proposals contained in, and matters arising from, Newfoundland Power's 2013-2014 General Rate Application (the "GRA").

Enclosed please find the original and 11 copies of an application made in compliance with the directions of the Board contained in the General Rate Order (the "Compliance Application").

***Summary of Customer Rate Impacts***

The principal purpose of the Compliance Application is to establish customer electricity rates that will apply to consumption on and after July 1<sup>st</sup>, 2013.

Since the effective date of rate changes flowing from the General Rate Order is July 1<sup>st</sup>, 2013, the Compliance Application includes a request for approval of the 2013 rate stabilization and municipal tax adjustments (respectively, the "Rate Stabilization Adjustment" and the "MTA Factor") to be incorporated in customer electricity rates. These proposals are typically the subject of a separate application to the Board for customer rate adjustments to take effect on July 1<sup>st</sup>.

Accordingly, the customer rates proposed in the Compliance Application reflect the net effect of an average overall increase, relative to current customer rates, resulting from the Board's determinations in the General Rate Order, and an average decrease resulting from the incorporation of the Rate Stabilization Adjustment and MTA Factor for 2013.



The approximate average impact on existing customer rates resulting from the Board's determinations in the General Rate Order is an increase of 4.8%. The approximate average impact on existing customer rates resulting from the annual update of the Rate Stabilization Adjustment and MTA Factor is a decrease of 7.9%. The net effect is an average overall decrease of 3.1% in customer rates effective July 1<sup>st</sup>, 2013. The average decrease for the Domestic class is 1.8%.

## **B. Contents of the Compliance Application:**

The evidence in support of the Compliance Application is contained in 6 schedules (the "Schedules"). A brief description of the Schedules follows.

### ***Schedule 1: 2013-2014 GRA Compliance Report***

The report titled *2013-2014 GRA Compliance Report*, provided as Schedule 1 to the Application, contains detailed information on the implementation of the Board's determinations with respect to Newfoundland Power's proposals in the GRA, as set out in the General Rate Order.

Schedule 1 and its appendices provide a revised calculation of forecast average rate base and rate of return on rate base which reflects the Board's determinations with respect to Newfoundland Power's cost of capital and capital structure. Schedule 1 also presents revised revenue requirements for the 2013 and 2014 test years based on the Board's determinations in the General Rate Order.

Schedule 1 presents a set of **base rates** that are based on Newfoundland Power's rate design and rate structure proposals in the GRA, and which are designed to recover the revised revenue requirement based on the Board's determinations in the General Rate Order.<sup>1</sup> Schedule 1 also presents a set of **final rates**.<sup>2</sup> The purpose of the presentation of those final rates, referred to in Schedule 1 as "Compliance Rates", is to show continuity with the rates currently in effect; the Compliance Rates are not the rates proposed to be implemented on July 1<sup>st</sup>, 2013. The Compliance Rates include the Rate Stabilization Adjustment and MTA Factor that were approved by the Board in 2012 to apply until June 30<sup>th</sup>, 2013.

### ***Schedule 2: Excess Earnings Account***

The definition of Newfoundland Power's Excess Earnings Account reflects the upper limit of the approved range of rate of return on rate base approved by the Board.

In the General Rate Order, the Board required Newfoundland Power to apply for approval of a revised definition of the Excess Earnings Account that would (i) avoid the requirement that a

<sup>1</sup> "Base rates" are rates that **exclude** the Rate Stabilization Adjustment and the MTA Factor.

<sup>2</sup> "Final rates" are rates that **include** the Rate Stabilization Adjustment and the MTA Factor.



new definition be approved with each change in rate of return on rate base, and (ii) set out the range of 36 basis points in the definition.<sup>3</sup>

A revised definition of the Excess Earnings Account reflecting the Board's direction in the General Rate Order is provided in Schedule 2 to the Compliance Application.

### ***Schedule 3: 2013 Rate Stabilization Adjustment***

The Rate Stabilization Clause included in Newfoundland Power's *Schedule of Rates, Rules and Regulations* provides for the recalculation of the Rate Stabilization Adjustment on July 1<sup>st</sup> of each year. Schedule 3 to the Application provides the Rate Stabilization Adjustment proposed to be applied to all bills based on electrical consumption from July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

### ***Schedule 4: 2013 Municipal Tax Adjustment***

The Municipal Tax Clause included in Newfoundland Power's *Schedule of Rates, Rules and Regulations* provides for the recalculation of the MTA Factor on July 1<sup>st</sup> of each year. Schedule 4 to the Application provides the MTA Factor proposed to be applied to all bills based on electrical consumption from July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

### ***Schedule 5: Proposed Customer Rates***

The report titled *Proposed Customer Rates, July 1<sup>st</sup>, 2013*, provided as Schedule 5 to the Application, is a detailed explanation of the customer rates proposed to take effect on July 1<sup>st</sup>, 2013.

The proposed customer rates are derived from the base rates presented in Schedule 1 to the Application. As explained in *Summary of Customer Rate Impacts* above, the proposed customer rates reflect the combined impact of (i) the change in base rates resulting from the Board's determinations in the General Rate Order and (ii) the July 1<sup>st</sup>, 2013 update of the Rate Stabilization Adjustment and the MTA Factor.<sup>4</sup>

The proposed customer rates are set out in Appendix C to Schedule 5.

### ***Schedule 6: Amendments to the Rules and Regulations***

Schedule 6 sets out the amendments to the Rate Stabilization Clause included in Newfoundland Power's *Schedule of Rates, Rules and Regulations* as proposed in the 2013-2014 GRA. With one exception, the Board approved these amendments as proposed in the GRA. The exception

<sup>3</sup> See Order No. P.U. 13 (2013), page 57, lines 14-19.

<sup>4</sup> The final customer rates set out in Schedule 5 include the Rate Stabilization Adjustment set out in Schedule 3 to the Application, and the MTA factor set out in Schedule 4 to the Application.



relates to an amendment affecting the Maximum Monthly Charge for customers served on Rates 2.2 (existing), 2.3 and 2.4, which had been proposed to take effect following Hydro's next base rate change.

Board staff has confirmed the approval of this amendment effective January 1<sup>st</sup>, 2013 was inadvertent. The amendment proposed in Schedule 6 reflects the timing proposed in the GRA. Approval of Schedule 6 as presented will correct the inadvertent error in the General Rate Order.

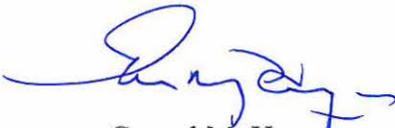
**C. Concluding:**

We trust that the foregoing and enclosed are found to be in order. A draft order in respect of the Compliance Application is enclosed for the Board's convenience.

A copy of this letter, together with a copy of the enclosures, has been forwarded directly to Geoffrey Young of Newfoundland and Labrador Hydro and Thomas Johnson, Consumer Advocate.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours very truly,



Gerard M. Hayes  
Senior Counsel

Enclosures

c. Geoffrey Young (1 copy)  
Newfoundland and Labrador Hydro

Thomas Johnson (3 copies)  
Consumer Advocate



NEWFOUNDLAND AND LABRADOR

AN ORDER OF THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NO. P.U. \_\_ (2013)

**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 (the “General Rate Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2013 and 2014; and

**IN THE MATTER OF** an application (the “Application”) by Newfoundland Power for approval of:

- (i) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 13 (2013), and
- (ii) a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

**WHEREAS** Newfoundland Power filed the General Rate Application with the Board of Commissioners of Public Utilities (the “Board”) on September 14, 2012 for an Order or Orders of the Board approving among other things, proposed rates for the various customers of Newfoundland Power, to be effective March 1, 2013; and

**WHEREAS** on April 17, 2013 after holding a public hearing, the Board issued Order No. P.U. 13 (2013) directing Newfoundland Power to, *inter alia*:

- (1) calculate and file a revised forecast average rate base and return on rate base for 2013 and

2014 based on its proposals in the General Rate Application, incorporating the determinations set out in Order No. P.U. 13 (2013), including the use of a return on common equity of 8.8% to calculate the rate of return on rate base for the 2013 and 2014 test years;

- (2) calculate and file a revised forecast total revenue requirement for the 2013 and 2014 test years based on its proposals in the General Rate Application, incorporating the determinations set out in Order No. P.U. 13 (2013); and
- (3) file a revised Schedule of Rates, Tolls and Charges which shall become effective for service provided on and after July 1, 2013, based on the proposals in the General Rate Application, , incorporating the determinations set out in Order No. P.U. 13 (2013); and

**WHEREAS** on May 16, 2013, Newfoundland Power submitted an application in compliance with Order No. P.U. 13 (2013), including supporting Schedules (the “Compliance Application”), proposing, *inter alia*: (i) changes to electricity rates, effective July 1, 2013, reflecting the Board’s determinations in Order No. P.U. 13, (2013); and (ii) a rate stabilization adjustment of 0.839¢/kWh and a municipal tax adjustment factor of 1.02377 to be applied to all bills based on electrical consumption on and after July 1, 2013, resulting in an average decrease in electrical rates of 3.1% effective on all bills based on electrical consumption on and after July 1, 2013; and

**WHEREAS** the Board has reviewed the Compliance Application and confirmed that the Compliance Application is based on Newfoundland Power’s proposals in the General Rate Application and properly reflects the determinations of the Board set out in Order No. P.U. 13 (2013).

**IT IS THEREFORE ORDERED THAT:**

1. Pursuant to Section 80 of the Act, the Board hereby approves the forecast average rate base for 2013 of \$918,716,000 and a forecast average rate base for 2014 of \$955,416,000.
2. Pursuant to Section 80 of the Act, the Board hereby approves the rate of return on average rate base for 2013 of 7.92% in a range of 7.74% to 8.10% and a rate of return on average rate base for 2014 of 7.88% in a range of 7.70% to 8.06%.
3. Pursuant to Section 70(1) of the Act, the Board hereby approves the Schedule of Rates, Tolls and Charges of Newfoundland Power attached hereto and marked Schedule "A", to be effective for service provided on and after July 1, 2013.
4. Pursuant to Sections 71 and 80 of the Act the Board hereby approves the Rules and Regulations attached hereto as Schedule "B", to be effective July 1, 2013.
5. Pursuant to Sections 58 and 80 of the Act the Board hereby approves the revised definition of the Excess Earnings Account attached hereto and marked as Schedule "C".
6. Pursuant to Section 70(1) of the Act, the Board hereby approves the Rate Stabilization Adjustment of 0.839 ¢/kWh and the MTA factor of 1.02377 for the period of July 1, 2013 to June 30, 2014.

DATED at St. John's, Newfoundland and Labrador, this    day of                    , 2013.

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G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

**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 (the “General Rate Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2013 and 2014; and

**IN THE MATTER OF** an application (the “Application”) by Newfoundland Power for approval of:

- (i) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 13 (2013), and
- (ii) a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

**TO:** The Board of Commissioners of Public Utilities (the “Board”)

**THE APPLICATION OF Newfoundland Power SAYS THAT:**

**A. Background:**

1. Newfoundland Power is a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the Act and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. The Act provides that the Board has the general supervision of public utilities and requires that a public utility, in effect, submit for the approval of the Board the rates, tolls and charges for the service provided by the public utility and the rules and regulations which relate to that service.
3. On September 14<sup>th</sup>, 2012, Newfoundland Power filed a General Rate Application together with evidence in support thereof to establish customer electricity rates for 2013 and 2014 (the “2013-2014 GRA”).
4. On April 17<sup>th</sup>, 2013, the Board issued Order No. P.U. 13 (2013) setting out its determinations in respect of the proposals in the 2013-2014 GRA (the “General Rate Order”).

## **B. General Rate Order Compliance:**

5. In the General Rate Order, the Board ordered, among other things, that Newfoundland Power:
  - (a) calculate and file a revised forecast average rate base and return on rate base for 2013 and 2014;
  - (b) calculate and file revised forecast total revenue requirements for the 2013 and 2014 test years; and
  - (c) file for the approval of the Board revised rates, tolls and charges effective for service provided on and after July 1<sup>st</sup>, 2013,

based on the proposals in the 2013-2014 GRA and incorporating the determinations of the Board in the General Rate Order.

6. Schedule 1 to the Application is a report titled *2013-2014 GRA Compliance Report* that provides detailed information regarding the determination of Newfoundland Power's rates, tolls and charges for the 2013 and 2014 test years based on the determinations of the Board in the General Rate Order, including:
  - (a) forecast average rate base for 2013 and 2014;
  - (b) rate of return on rate base for 2013 and 2014;
  - (c) a revised 2013 and 2014 energy sales and purchases forecast; and
  - (d) revised 2013 and 2014 revenue requirements.
7. Schedule 2 to the Application presents a revised definition of the Excess Earnings Account reflecting the direction of the Board at pages 57 and 59 of the General Rate Order.

## **C. 2013 Rate Stabilization Adjustment:**

8. Newfoundland and Labrador Hydro ("Hydro") maintains a Retail Rate Stabilization Plan ("RSP") to smooth rate impacts for certain variations between actual results and Hydro's test year cost of service estimates for hydraulic production, fuel costs, customer load and rural rates. The operational guidelines of the RSP are set out in Schedule A to Order No. P.U. 40 (2003).
9. By Order No. P.U. 34 (1985), the Board approved the establishment of a Rate Stabilization Account ("RSA") by Newfoundland Power. The Rate Stabilization Clause included in Newfoundland Power's *Schedule of Rates, Rules & Regulations* provides for the calculation of the balance in the RSA and the inclusion of a Rate Stabilization Adjustment in the rates charged by Newfoundland Power.
10. The Rate Stabilization Adjustment is to be recalculated on July 1<sup>st</sup> of each year to reflect (i) the accumulated balance in the RSA as of March 31<sup>st</sup> of the current year and (ii) any

change in the mill rate charged to Newfoundland Power by Hydro as a result of the operation of the RSP.

11. Schedule 3 to the Application presents the calculation of the Rate Stabilization Adjustment of 0.839 ¢/kWh proposed to be used by Newfoundland Power in billing customers for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

**D. 2013 Municipal Tax Adjustment:**

12. By Order No. P.U. 17 (1987), the Board ordered that municipal taxes no longer be included as an expense in the determination of revenue requirement but collected through a Municipal Tax Adjustment (“MTA”) factor included in the rates of Newfoundland Power. The Municipal Tax Clause included in Newfoundland Power’s *Schedule of Rates, Rules & Regulations* provides for the recalculation of the MTA factor on July 1<sup>st</sup> of each year.
13. Schedule 4 to the Application presents the calculation of the MTA factor of 1.02377 proposed to be used by Newfoundland Power in billing customers for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

**E. Rates, Rules and Regulations:**

14. Schedule 5 to the Application presents the proposed customer rates to be applied to electricity consumption on and after July 1<sup>st</sup>, 2013, based on the determinations of the Board in the General Rate Order and incorporating the Rate Stabilization Adjustment and MTA factor set out in Schedules 3 and 4 to the Application.
15. In the 2013-2014 GRA, Newfoundland Power proposed a number of changes to the Rate Stabilization Clause to take effect as of January 1<sup>st</sup>, 2013. Newfoundland Power also proposed a change to the Rate Stabilization Clause affecting the Maximum Monthly Charge provided for in Rates 2.2, 2.3 and 2.4. The change affecting the Maximum Monthly Charge was proposed to take effect only upon approval by the Board of Hydro’s next change in base rates charged to Newfoundland Power. Neither the proposed change nor its timing was opposed by any participant in the 2013-2014 GRA, but the change appears to have been inadvertently approved by the Board in the General Rate Order to take effect, along with the other proposed changes to the Rate Stabilization Clause, as of January 1<sup>st</sup>, 2013.
16. Schedule 6 to the Application presents the amendments to the rules and regulations governing Newfoundland Power’s provision of service to its customers as approved in the General Rate Order, with the exception of the change affecting the Maximum Monthly Charge described in paragraph 15 hereof. In order to facilitate correction of the inadvertent error in the General Rate Order, Schedule 6 provides that the change to the Rate Stabilization Clause affecting the Maximum Monthly Charge shall take effect in accordance with the timing proposed in the 2013-2014 GRA.

**F. Order Requested:**

17. Further to the matters described in paragraphs 5 through 16 hereof, Newfoundland Power requests that the Board make an Order approving:
- (a) pursuant to Section 80 of the Act, a forecast average rate base for 2013 of \$918,716,000 and a forecast average rate base for 2014 of \$955,416,000 as set out in Appendix A, Schedule 1 to the Application;
  - (b) pursuant to Section 80 of the Act, a rate of return on average rate base for 2013 of 7.92% in a range of 7.74% to 8.10% and a rate of return on average rate base for 2014 of 7.88% in a range of 7.70% to 8.06% as set out in Appendix B, Schedule 1 to the Application;
  - (c) pursuant to Sections 58 and 80 of the Act, a revised definition of the Excess Earnings Account, as set out in Schedule 2 to the Application;
  - (d) the Rate Stabilization Adjustment of 0.839 ¢/kWh and the MTA factor of 1.02377, as set out in Schedules 3 and 4 to the Application, to be applied to all bills based on electrical consumption on and after July 1<sup>st</sup>, 2013;
  - (e) pursuant to Section 70(1) of the Act, rates, tolls and charges as set out in Appendix C, Schedule 5 to the Application; and
  - (f) pursuant to Sections 71 and 80 of the Act, the amendments to the rules and regulations governing Newfoundland Power's provision of service to its customers as set out in Schedule 6 to the Application.

**G. Reasons for Approval:**

18. Approval by the Board of the proposals in the Application will permit cost recovery through customer rates as provided for, and intended by, the Act, the *Electrical Power Control Act, 1994* and the Orders of the Board set out in the Application.

**H. Process Matters:**

19. The Application is consistent with (i) the General Rate Order and (ii) compliance by Newfoundland Power with the other Orders of the Board set out in the Application. Accordingly, Newfoundland Power submits that public notice and hearing into the Application is unnecessary and not in the public interest.

**I. Communications:**

20. Communication with respect to this Compliance Application should be forwarded to the attention of Ian F. Kelly, Q.C. and Gerard M. Hayes, Counsel to Newfoundland Power.

**DATED** at St. John's, Newfoundland, this 16<sup>th</sup> day of May, 2013.

**NEWFOUNDLAND POWER INC.**

A handwritten signature in blue ink, appearing to read 'Gerard M. Hayes', is positioned above the typed name and address.

Ian F. Kelly, Q.C. and Gerard M. Hayes  
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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 (the “General Rate Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2013 and 2014; and

**IN THE MATTER OF** an application (the “Application”) by Newfoundland Power for approval of:

- (iii) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 13 (2013), and
- (iv) a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

### **AFFIDAVIT**

I, Peter Alteen, of St. John’s in the Province of Newfoundland and Labrador, make oath and say as follows:

1. That I am Vice-President, Regulation and Planning, of Newfoundland Power.
2. To the best of my knowledge, information and belief, all matters, facts and things set out in the Compliance Application are true.

**SWORN** at St. John's  
in the Province of Newfoundland and Labrador  
this 16<sup>th</sup> day of May, 2013 before me:

  
Barrister

  
Peter Alteen

**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 (the “General Rate Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2013 and 2014; and

**IN THE MATTER OF** an application (the “Application”) by Newfoundland Power for approval of:

- (i) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 13 (2013), and
- (ii) a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

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**2013-2014 GRA Compliance Report**

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Appendix A: 2013 and 2014 Forecast Average Rate Base

Appendix B: 2013 and 2014 Return on Rate Base

Appendix C: Elasticity Impacts on Energy Forecast

Appendix D: 2013 Revenue Shortfall

Appendix E: 2013 and 2014 Revenue Requirements

Appendix F: Conversion of Base Rates to Compliance Rates

Appendix G: Average Billing Impacts - Compliance Rates

## **1.0 Purpose**

In Order No. P.U. 13 (2013) (the “General Rate Order”), the Board of Commissioners of Public Utilities (the “Board”) made a number of determinations on proposals contained in, and matters arising from, Newfoundland Power’s 2013-2014 General Rate Application (the “GRA”).

The purpose of this report is to provide detailed support for Newfoundland Power’s application for approval of various matters arising out of the GRA, including customer electricity rates, in accordance with the requirements of the General Rate Order (the “Compliance Application”).

## **2.0 Rate Base and Return on Rate Base**

### **2.1 General**

The General Rate Order requires that Newfoundland Power file an application for approval of a revised calculation of the forecast average rate base and rate of return on rate base for the 2013 and 2014 test years reflecting the determinations of the Board. The General Rate Order established the allowed range of return on rate base of 36 basis points for 2013, 2014 and 2015.

### **2.2 Rate Base**

Appendix A, line 30, to this report shows Newfoundland Power’s revised 2013 forecast average rate base of \$918,716,000 and revised 2014 forecast average rate base of \$955,416,000. The revised 2013 and 2014 forecast average rate base are based on the proposals in the GRA, and incorporate the Board’s determinations as set out in the General Rate Order.<sup>1</sup>

### **2.3 Return on Rate Base**

Appendix B, line 23, to this report shows the calculation of (i) the rate of return on rate base of 7.92% for 2013 and 7.88% for 2014 and (ii) the return on rate base for 2013 and 2014. Appendix B reflects the Board’s determinations on capital structure and return on regulated common equity to be used in determining the return on rate base, as set out in item 1, page 59 of the General Rate Order.<sup>2</sup>

### **2.4 Excess Earnings Account**

In the General Rate Order, the Board observed that the setting out of the established annual rate of return in the existing definition of Newfoundland Power’s Excess Earnings Account requires that a new definition be approved with each change in the rate of return on rate base. The Board required that Newfoundland Power file a revised definition of the Excess Earnings Account to avoid that requirement and to make specific reference to the 36 basis point range of return on rate base.<sup>3</sup>

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<sup>1</sup> Appendix A is in a format consistent with Exhibit 8 filed in support of the GRA.

<sup>2</sup> Appendix B is in a format consistent with Exhibit 10 filed in support of the GRA.

<sup>3</sup> Order No. P.U. 13 (2013), page 57, lines 14-19.

Schedule 2 to the Compliance Application provides a definition of the proposed Excess Earnings Account that complies with the Board's direction in the General Rate Order.

### **3.0 Revenue Requirements**

#### **3.1 General**

The customer rates proposed in the GRA were designed to recover Newfoundland Power's proposed 2013 and 2014 revenue requirements. The Board's determinations in the General Rate Order affected the revenue requirements. Accordingly, the General Rate Order requires that Newfoundland Power calculate and file a revised forecast revenue requirement for the 2013 and 2014 test years that incorporate the Board's determinations set out therein.

In addition to the Board's determination on cost of capital, the calculation of the revised 2013 and 2014 test year revenue requirements resulting from the General Rate Order is influenced by two adjustments. The first is a revision of the forecast elasticity impacts on 2013 and 2014 energy sales reflecting the lower rate increase resulting from the Board's determinations with respect to cost of capital. The second is a greater revenue shortfall in 2013 reflecting the impact of the change in the rate implementation date from March 1<sup>st</sup>, 2013, as proposed in the GRA, to July 1<sup>st</sup>, 2013, as ordered by the Board in the General Rate Order.

#### **3.2 Revised Elasticity Effects**

Appendix C to this report provides the 2013 and 2014 energy forecasts adjusted to reflect the forecast elasticity impacts of the rate increase based on the Board's determinations set out in the General Rate Order. The revised forecast elasticity impacts have been calculated by interpolation based upon the elasticity effects of the difference from the rate changes proposed in the GRA and the rate changes proposed in the Compliance Application.<sup>4</sup>

The 2013 and 2014 revised sales forecasts are higher than the forecasts presented in the GRA by 12.7 GWh and 12.9 GWh, respectively. The increase in forecast energy sales and the resulting increase in forecast purchases are reflected in the revenue requirement calculation through an increase in revenue from rates and an increase in purchased power expense for 2013 and 2014.

#### **3.3 2013 Revenue Shortfall**

The implementation of the rates proposed in the GRA on March 1<sup>st</sup>, 2013 would have resulted in an estimated revenue shortfall in 2013 of \$980,000. Customer rates specifically designed to recover the revised 2014 revenue requirement, based on the Board's determinations in the General Rate Order and implemented on July 1<sup>st</sup>, 2013, will result in a \$3,965,000 shortfall in the recovery of the revenue requirements for 2013 (the "2013 Revenue Shortfall").

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<sup>4</sup> This method of estimating the revised elasticity effect is consistent with that used in the compliance application filed subsequent to the 2010 GRA. The impact of the changes in 2013 and 2014 forecast energy sales on 2013 and 2014 forecast energy purchases was determined by applying losses to the revised sales forecast.

The Settlement Agreement approved in the General Rate Order provides for recovery of the 2013 Revenue Shortfall through a regulatory amortization reflected in the 2013 and 2014 revenue requirements beginning on the rate implementation date and concluding on December 31<sup>st</sup>, 2015.<sup>5</sup>

The revised amortization schedule shown in Appendix D to this report reflects recovery of the 2013 Revenue Shortfall of \$3,965,000 over the period July 1<sup>st</sup>, 2013 through December 31<sup>st</sup>, 2015.

### ***3.4 2013 and 2014 Revenue Requirements***

Appendix E shows the detailed calculation of the revised revenue requirements for 2013 and 2014 based on the Board's determinations set out in the General Rate Order.<sup>6</sup>

## **4.0 Rates, Rules and Regulations**

### ***4.1 General***

The General Rate Order requires Newfoundland Power to file an application for approval of a revised Schedule of Rates, Tolls and Charges and revised Rules and Regulations effective for service provided on and after July 1<sup>st</sup>, 2013, based upon the proposals in the Application, and incorporating the determinations of the Board.

As a result of the General Rate Order, the customer rates to be implemented on July 1<sup>st</sup>, 2013 will reflect: (i) the rate change resulting from the Board's determinations with respect to the GRA proposals and (ii) the Rate Stabilization Adjustment and the Municipal Tax Adjustment ("MTA") Factor, updated for 2013.

### ***4.2 Compliance Rates***

The proposed customer billing impacts by rate class reflected in the Settlement Agreement to the GRA and approved in the General Rate Order reflect the current Rate Stabilization Adjustment and MTA Factor.<sup>7</sup> To demonstrate continuity with the current customer rates, Appendix F to the report presents rates that reflect the current Rate Stabilization Adjustment and MTA Factor ("Compliance Rates"). The Compliance Rates are presented for the sole purpose of demonstrating compliance with the General Rate Order; the Compliance Rates are not the customer rates proposed for implementation on July 1<sup>st</sup>, 2013.<sup>8</sup>

The Compliance Rates were computed by applying the current Rate Stabilization Adjustment and MTA Factor to base rates that are based on the rate design and rate structure proposals agreed in the Settlement Agreement approved in the General Rate Order, and which reflect the

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<sup>5</sup> Order No. P.U. 13 (2013), page 9, lines 12-29.

<sup>6</sup> Appendix E is in a format consistent with Exhibit 9 filed in support of the GRA.

<sup>7</sup> The current Rate Stabilization Adjustment and MTA Factor were approved in Order No. P.U. 20 (2012).

<sup>8</sup> The rates proposed for implementation effective July 1<sup>st</sup>, 2013 are addressed below in ***4.3 Customer Rates***.

Board’s determinations in the General Rate Order.<sup>9</sup> These base rates, when applied to the revised forecast test year energy sales presented in this report, recover the 2013 and 2014 test year revenue requirements, revised based on the General Rate Order.<sup>10</sup>

Appendix F to this report shows the conversion of the proposed base rates to the Compliance Rates.

If implemented July 1<sup>st</sup>, 2013, the Compliance Rates would result in the following customer rate impacts:

- (i) an average overall increase in electricity rates of 4.8% for consumption on and after July 1<sup>st</sup>, 2013; and
- (ii) rates, tolls and charges for service provided on and after July 1<sup>st</sup>, 2013, which result in average changes in current customer rates by class as follows:

<i>Existing Rate Class</i>	<i>Average Change</i>
Domestic	6.0%
General Service 0-10 kW	-3.0%
General Service 10-100 kW (110 kVA)	0.0%
General Service 110-1000 kVA	4.8%
General Service 1000 kVA and Over	4.8%
Street and Area Lighting	4.8%

Appendix G to this report shows the computation of average customer billing impacts by rate class using the Compliance Rates.

The proposed revised customer billing impacts by rate class are in accordance with the rate design and rate structure proposals presented in the GRA, and agreed in the Settlement Agreement approved in the General Rate Order.<sup>11</sup>

### **4.3 Customer Rates**

Schedule 5 to the Compliance Application is a report titled *Proposed Customer Rates, July 1<sup>st</sup>, 2013*. Schedule 5 explains the conversion of the base rates set out in Appendix F to this report to the final customer rates proposed to become effective July 1<sup>st</sup>, 2013. The final customer rates set

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<sup>9</sup> Customer Rates currently reflect a Rate Stabilization Adjustment of 1.770¢ per kWh and an MTA Factor of 1.02337.

<sup>10</sup> Base rates exclude the Rate Stabilization Adjustment and MTA Factor, as these adjustments are not revenue or expense items.

<sup>11</sup> Appendix G is in a format consistent with Exhibit 12 filed in support of the GRA.

out in Schedule 5 reflect the combined effect of the General Rate Order and the 2013 update to the Rate Stabilization Adjustment and the MTA Factor.

The revised Rate Stabilization Adjustment is provided in Schedule 3 to the Compliance Application and the revised MTA Factor is provided in Schedule 4 to the Compliance Application.

Appendix C to Schedule 5 is a proposed Schedule of Rates, Tolls and Charges for electric service provided on and after July 1<sup>st</sup>, 2013. The rates set out in Schedule 5, Appendix C, are the rates proposed to be used in billing customers for consumption on and after July 1<sup>st</sup>, 2013.

#### ***4.4 Amendments to the Rules and Regulations***

The only amendments to the Rules and Regulations governing Newfoundland Power's provision of electrical service are the proposed amendments to the Rate Stabilization Clause described in Section 5 of the Company Evidence.<sup>12</sup>

In the General Rate Order, the Board approved changes to the Rate Stabilization Clause to: (i) reflect annual changes in the RSA adjustment factors for customers that benefit from the Maximum Monthly Charge; (ii) reflect the most recent energy consumption information for street and area lighting fixtures; (iii) permit recovery through the RSA of customer energy conservation program costs; and (iv) permit the ongoing disposition through the RSA of annual transfers to the Weather Normalization Reserve. All changes were approved effective January 1<sup>st</sup>, 2013.

In the GRA, Newfoundland Power had proposed that the amendment affecting the Maximum Monthly Charge not be implemented until Hydro's next base rate change.<sup>13</sup> That proposal was agreed in the Settlement Agreement, and was not opposed during the hearing of the GRA.

Upon reviewing the General Rate Order, Newfoundland Power determined, in consultation with Board staff, that the approval of the amendment affecting the Maximum Monthly Charge as of January 1<sup>st</sup>, 2013 was inadvertent. It was agreed that Newfoundland Power would apply to correct the matter in the Compliance Application.

Schedule 6 to the Compliance Application contains the Rate Stabilization Clause proposed for inclusion in the Rules and Regulations governing the provision of electrical service. The proposed Rate Stabilization Clause provides that implementation of the annual changes in the RSA adjustment factors for customers that benefit from the Maximum Monthly Charge shall be delayed as proposed in the GRA. In accordance with the General Rate Order, the remaining amendments to the Rate Stabilization Clause are effective as of January 1<sup>st</sup>, 2013.

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<sup>12</sup> See Company Evidence, *Section 5.6 Rate Stabilization Clause*.

<sup>13</sup> The purpose of the delayed implementation of the amendment was to limit customer rate impacts. See Company Evidence, Pages 5-16 to 5-17.

## **5.0 Conclusion**

The Compliance Rates presented in Appendix F to this report are based on Newfoundland Power's proposals in the GRA and incorporate the determinations of the Board in the General Rate Order. When the Rate Stabilization Adjustment and MTA Factor proposed in the Compliance Application are applied to the base rates described in this report, the resulting Customer Rates are the appropriate rates to be approved by the Board to apply to electricity service provided to Newfoundland Power's customers on and after July 1<sup>st</sup>, 2013.

Newfoundland Power Inc.

2013 and 2014 Forecast Average Rate Base<sup>1</sup>  
(\$000s)

	<u>2013P<sup>2</sup></u>	<u>Adjustment</u>	<u>2013R<sup>3</sup></u>	<u>2014P<sup>2</sup></u>	<u>Adjustment</u>	<u>2014R<sup>3</sup></u>
1 Plant Investment	823,439	-	823,439	860,557	-	860,557
2						
3 Additions to Rate Base						
4 Deferred Charges	93,214	-	93,214	89,491	-	89,491
5 Regulatory Assets - Defined Benefit Pension Plans	8,344	-	8,344	15,633	-	15,633
6 Cost Recovery Deferral - Credit Facility Costs	122	-	122	-	-	-
7 Cost Recovery Deferral - Seasonal Rates	136	-	136	122	-	122
8 Cost Recovery Deferral - Hearing Costs	417	-	417	625	-	625
9 Cost Recovery Deferral - Regulatory Amortizations	4,487	877 <sup>4</sup>	5,364	2,920	1,312 <sup>4</sup>	4,232
10 Cost Recovery Deferral - Conservation	1,202	-	1,202	3,583	-	3,583
11 Customer Finance Programs	1,466	-	1,466	1,466	-	1,466
12	<u>109,388</u>	<u>877</u>	<u>110,265</u>	<u>113,840</u>	<u>1,312</u>	<u>115,152</u>
13						
14						
15 Deductions from Rate Base						
16 Weather Normalization Reserve	4,861	-	4,861	2,510	-	2,510
17 Other Post Employee Benefits	18,257	-	18,257	26,006	-	26,006
18 Customer Security Deposits	830	-	830	830	-	830
19 Accrued Pension Obligation	4,189	-	4,189	4,479	-	4,479
20 Future Income Taxes	(1,877)	-	(1,877)	(1,920)	-	(1,920)
21 Demand Management Incentive Account	421	-	421	-	-	-
22	<u>26,681</u>	<u>-</u>	<u>26,681</u>	<u>31,905</u>	<u>-</u>	<u>31,905</u>
23						
24 Average Rate Base Before Allowances	906,146	877	907,023	942,492	1,312	943,804
25						
26 Cash Working Capital Allowance	6,605	(52) <sup>5</sup>	6,553	6,384	(19) <sup>5</sup>	6,365
27						
28 Materials and Supplies Allowance	5,140	-	5,140	5,247	-	5,247
29						
30 Average Rate Base At Year End	<u>917,891</u>	<u>825</u>	<u>918,716</u>	<u>954,123</u>	<u>1,293</u>	<u>955,416</u>

<sup>1</sup> All amounts shown are averages.

<sup>2</sup> As filed in the GRA.

<sup>3</sup> Pursuant to Order No. P.U. 13 (2013).

<sup>4</sup> Increase in 2013 Revenue Shortfall due to moving to a July 1<sup>st</sup>, 2013 implementation and the amortization period being reduced from 34 to 30 months.

<sup>5</sup> Decrease in cash working capital allowance due primarily to a reduction in income taxes to reflect a lower return on equity.

**Newfoundland Power Inc.**

**2013 Return on Rate Base**  
**(\$000s)**

	<u>2013P<sup>1</sup></u>	<u>Changes</u>	<u>2013R<sup>2</sup></u>
1			
2 <b>Average Capitalization</b>			
3 Debt	501,804	1,167 <sup>3</sup>	502,971
4 Preference Shares	9,081	-	9,081
5 Common Equity	416,947	936 <sup>4</sup>	417,883
6	<u>927,832</u>	<u>2,103</u>	<u>929,935</u>
7			
8 <b>Average Capital Structure</b>			
9 Debt	54.08%	0.00%	54.08%
10 Preference Shares	0.98%	0.00%	0.98%
11 Common Equity	44.94%	0.00%	44.94%
12	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>
13			
14 <b>Cost of Capital</b>			
15 Debt	7.24%	-0.01% <sup>3</sup>	7.23%
16 Preference Shares	6.23%	0.00%	6.23%
17 Common Equity	10.40%	-1.60% <sup>4</sup>	8.80%
18			
19 <b>Rate of Return on Rate Base</b>			
20 Debt	3.91%	0.00%	3.91%
21 Preference Shares	0.06%	0.00%	0.06%
22 Common Equity	4.67%	-0.72%	3.95%
23	<u>8.64%</u>	<u>-0.72%</u>	<u>7.92%</u>
24			
25 <b>Return on Rate Base</b>			
26 Return on Debt	35,421	54 <sup>3</sup>	35,475
27 Return on Preference Shares	566	-	566
28 Return on Common Equity	43,357	(6,591) <sup>4</sup>	36,766
29	<u>79,344</u>	<u>(6,537)</u>	<u>72,807</u>

<sup>1</sup> As filed in the GRA.

<sup>2</sup> Pursuant to Order No. P.U. 13 (2013).

<sup>3</sup> Increase in debt and associated borrowing costs related to a forecast reduction in revenues.

<sup>4</sup> Increase in forecast common equity due to lower forecast common dividend payments offset by a lower return on common equity.

**Newfoundland Power Inc.**

**2014 Return on Rate Base**  
**(\$000s)**

	<u>2014P<sup>1</sup></u>	<u>Changes</u>	<u>2014R<sup>2</sup></u>
1			
2 <b>Average Capitalization</b>			
3 Debt	522,578	1,359 <sup>3</sup>	523,937
4 Preference Shares	9,081	-	9,081
5 Common Equity	<u>432,434</u>	<u>1,169</u> <sup>4</sup>	<u>433,603</u>
6	<u>964,093</u>	<u>2,528</u>	<u>966,621</u>
7			
8 <b>Average Capital Structure</b>			
9 Debt	54.20%	0.00%	54.20%
10 Preference Shares	0.94%	0.00%	0.94%
11 Common Equity	<u>44.86%</u>	<u>0.00%</u>	<u>44.86%</u>
12	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>
13			
14 <b>Cost of Capital</b>			
15 Debt	7.12%	0.02% <sup>3</sup>	7.14%
16 Preference Shares	6.23%	0.00%	6.23%
17 Common Equity	10.40%	-1.60% <sup>4</sup>	8.80%
18			
19 <b>Rate of Return on Rate Base</b>			
20 Debt	3.86%	0.01%	3.87%
21 Preference Shares	0.06%	0.00%	0.06%
22 Common Equity	<u>4.66%</u>	<u>-0.71%</u>	<u>3.95%</u>
23	<u>8.58%</u>	<u>-0.70%</u>	<u>7.88%</u>
24			
25 <b>Return on Rate Base</b>			
26 Return on Debt	36,301	218 <sup>3</sup>	36,519
27 Return on Preference Shares	566	-	566
28 Return on Common Equity	<u>44,971</u>	<u>(6,821)</u> <sup>4</sup>	<u>38,150</u>
29	<u>81,838</u>	<u>(6,603)</u>	<u>75,235</u>

<sup>1</sup> As filed in the GRA.

<sup>2</sup> Pursuant to Order No. P.U. 13 (2013).

<sup>3</sup> Increase in debt and associated borrowing costs related to a forecast reduction in revenues.

<sup>4</sup> Increase in forecast common equity due to lower forecast common dividend payments offset by a lower return on common equity.

**Newfoundland Power Inc.**

**Elasticity Impacts on Energy Forecast**  
**2013 Test Year**  
**(GWh)**

	<b>Existing<sup>1</sup> Forecast</b>	<b>Proposed<sup>2</sup> Forecast</b>	<b>Elasticity<sup>3</sup> Adjustment</b>	<b>Proposed<sup>4</sup> Rate Change</b>	<b>Revised<sup>5</sup> Rate Change</b>	<b>Revised<sup>6</sup> Elasticity Adjustment</b>	<b>Revised<sup>7</sup> Forecast</b>	<b>Change<sup>8</sup></b>
	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>	<b>(F)</b>	<b>(G)</b>	<b>(H)</b>
1								
2								
3	<b>Domestic</b>							
4	3,525.0	3,500.8	(24.2)	7.2%	6.0%	(12.1)	3,512.9	12.1
5	19.5	19.5	0.0	7.2%	6.0%	0.0	19.5	0.0
6	3,544.5	3,520.3	(24.2)	7.2%	6.0%	(12.1)	3,532.4	12.1
7								
8	<b>General Service</b>							
9	97.6	97.8	0.2	-2.0%	-3.0%	0.2	97.8	0.0
10	685.8	685.2	(0.6)	1.1%	0.0%	0.0	685.8	0.6
11	941.1	941.1	0.0	6.0%	4.8%	0.0	941.1	0.0
12	475.6	475.6	0.0	6.0%	4.8%	0.0	475.6	0.0
13								
14	2,200.1	2,199.7	(0.4)			0.2	2,200.3	0.6
15								
16	30.9	30.9	0.0	6.0%	4.8%	0.0	30.9	0.0
17								
18	5,775.5	5,750.9	(24.6)			(11.9)	5,763.6	12.7
19								
20	11.6	11.6	0.0			0.0	11.6	0.0
21								
22	332.9	331.5	(1.4)			(0.7)	332.2	0.7
23								
24	6,120.0	6,094.0	(26.0)			(12.6)	6,107.4	13.4
25								
26	429.0	429.0	0.0			0.0	429.0	0.0
27								
28	5,691.0	5,665.0	(26.0)			(12.6)	5,678.4	13.4
29								
30	1,212.89	1,212.89	0.00			0.00	1,212.89	0.00

<sup>1</sup> Column A is taken from Appendix B and C of the Customer, Energy and Demand Forecast, Volume 2, Exhibits and Supporting Materials, Tab 4. The existing forecast assumes no change in rates resulting from the GRA.

<sup>2</sup> Column B is taken from Appendix B and C of the Customer, Energy and Demand Forecast, Volume 2, Exhibits and Supporting Materials, Tab 4. The proposed forecast assumes a 6.0% increase in rates resulting from the GRA effective March 1, 2013.

<sup>3</sup> Column C is the forecast elasticity impact of the proposed rate increase of 6.0% reflecting existing July 1, 2012 RSA and MTA (Column B - Column A).

<sup>4</sup> As per Volume 2, Exhibits & Supporting Materials, Exhibit 12, Column F.

<sup>5</sup> As per Appendix G, Column F, of the Compliance Application.

<sup>6</sup> Column F is the forecast elasticity impact of the revised rate increase of 4.8% being effective for 6 months rather than the proposed 10 months (Column E divided by Column D times Column C times (6 months divided by 10 months)).

<sup>7</sup> Column G is the forecast under revised rates including revised elasticity impacts (Column A + Column F).

<sup>8</sup> Column H is the difference between forecasts under revised rates and those under proposed compliance rates (Column G - Column B).

<sup>9</sup> The revised losses due to elasticity assume the same loss percentage for existing and proposed (proposed losses divided by total energy sales including company use).

<sup>10</sup> The forecast Billing Demand for 2013 reflects the purchased demand from Newfoundland and Labrador Hydro for the winter period of December 2012 to March 2013. There was no change in 2013 billing demand as the rate increase will not impact 2012 energy purchases. See Customer Energy and Demand Forecast, Volume 2, Exhibits and Supporting Materials, Tab 4, Appendix C, lines 9 and 14.

**Newfoundland Power Inc.**

**Elasticity Impacts on Energy Forecast**  
**2014 Test Year**  
**(GWh)**

	<b>Existing<sup>1</sup> Forecast</b>	<b>Proposed<sup>2</sup> Forecast</b>	<b>Elasticity<sup>3</sup> Adjustment</b>	<b>Proposed<sup>4</sup> Rate Change</b>	<b>Revised<sup>5</sup> Rate Change</b>	<b>Revised<sup>6</sup> Elasticity Adjustment</b>	<b>Revised<sup>7</sup> Forecast</b>	<b>Change<sup>8</sup></b>	
	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>	<b>(F)</b>	<b>(G)</b>	<b>(H)</b>	
1									
2									
3	<b>Domestic</b>								
4	1.1 Regular	3,593.7	3,524.0	(69.7)	7.2%	6.0%	(58.1)	3,535.6	11.6
5	1.1 Seasonal	21.7	21.7	0.0	7.2%	6.0%	0.0	21.7	0.0
6	<b>Total Domestic</b>	<b>3,615.4</b>	<b>3,545.7</b>	<b>(69.7)</b>	<b>7.2%</b>	<b>6.0%</b>	<b>(58.1)</b>	<b>3,557.3</b>	<b>11.6</b>
7									
8	<b>General Service</b>								
9	2.1 0-10 kW	98.2	98.6	0.4	-2.0%	-3.0%	0.6	98.8	0.2
10	2.2 10-100 kW	694.7	693.6	(1.1)	1.1%	0.0%	0.0	694.7	1.1
11	2.3 110-1000 kVA	955.8	955.8	0.0	6.0%	4.8%	0.0	955.8	0.0
12	2.4 Over 1000 kVA	497.9	497.9	0.0	6.0%	4.8%	0.0	497.9	0.0
13									
14	<b>Total General Service</b>	<b>2,246.6</b>	<b>2,245.9</b>	<b>(0.7)</b>			<b>0.6</b>	<b>2,247.2</b>	<b>1.3</b>
15									
16	<b>4.1 Street and Area Lighting</b>	<b>31.1</b>	<b>31.1</b>	<b>0.0</b>	<b>6.0%</b>	<b>4.8%</b>	<b>0.0</b>	<b>31.1</b>	<b>0.0</b>
17									
18	<b>Total Energy Sales</b>	<b>5,893.1</b>	<b>5,822.7</b>	<b>(70.4)</b>			<b>(57.5)</b>	<b>5,835.6</b>	<b>12.9</b>
19									
20	Company Use	11.6	11.6	0.0			0.0	11.6	0.0
21									
22	Losses <sup>9</sup>	339.7	335.7	(4.0)			(3.3)	336.4	0.7
23									
24	<b>Produced &amp; Purchased</b>	<b>6,244.4</b>	<b>6,170.0</b>	<b>(74.4)</b>			<b>(60.8)</b>	<b>6,183.6</b>	<b>13.6</b>
25									
26	<b>Production</b>	<b>430.4</b>	<b>430.4</b>	<b>0.0</b>			<b>0.0</b>	<b>430.4</b>	<b>0.0</b>
27									
28	<b>Energy Purchases</b>	<b>5,814.0</b>	<b>5,739.6</b>	<b>(74.4)</b>			<b>(60.8)</b>	<b>5,753.2</b>	<b>13.6</b>
29									
30	<b>Billing Demand (kW)<sup>10</sup></b>	<b>1,240.30</b>	<b>1,234.48</b>	<b>(5.82)</b>			<b>(2.821)</b>	<b>1,237.48</b>	<b>3.00</b>

<sup>1</sup> Column A is taken from Appendix B and C of the Customer, Energy and Demand Forecast, Volume 2, Exhibits and Supporting Materials, Tab 4. The existing forecast assumes no change in rates resulting from the GRA.

<sup>2</sup> Column B is taken from Appendix B and C of the Customer, Energy and Demand Forecast, Volume 2, Exhibits and Supporting Materials, Tab 4. The proposed forecast assumes a 6.0% increase in rates resulting from the GRA effective March 1, 2013.

<sup>3</sup> Column C is the forecast elasticity impact of the proposed rate increase of 6.0% reflecting existing July 1, 2012 RSA and MTA (Column B - Column A).

<sup>4</sup> As per Volume 2, Exhibits & Supporting Materials, Exhibit 12, Column F.

<sup>5</sup> As per Appendix G, Column F, of the Compliance Application.

<sup>6</sup> Column F is the forecast elasticity impact of the revised rate increase of 4.8% based upon existing July 1, 2012 RSA and MTA (Column E divided by Column D times Column C).

<sup>7</sup> Column G is the forecast under revised rates including revised elasticity impacts (Column A + Column F).

<sup>8</sup> Column H is the difference between forecasts under revised rates and those under proposed compliance rates (Column G - Column B).

<sup>9</sup> The revised losses due to elasticity assume the same loss percentage for existing and proposed (proposed losses divided by total energy sales including company use).

<sup>10</sup> The forecast Billing Demand for 2014 reflects the purchased demand from Newfoundland and Labrador Hydro for the winter period of December 2013 to March 2014.

The change in 2014 billing demand results from the applying the native peak load factor of 50.99% to the change in 2013 energy purchases (kW = kWh/(50.99% x 8,760 hours)).

**Newfoundland Power Inc.**

**2013 Revenue Shortfall**

The 2013 Revenue Shortfall reflecting the General Rate Order is \$3,965,000. This compares to \$980,000 reflected in the Application. The increase in the 2013 Revenue Shortfall is due to a change in the customer rate implementation date from March 1, 2013 to July 1, 2013.<sup>1</sup>

Table 1 provides the proposed amortization schedule for the 2013 Revenue Shortfall reflecting the General Rate Order and the revenue requirement impact of the change in the amortization schedule from that reflected in the Application.

**Table 1**  
**2013 Revenue Shortfall**  
**Revenue Requirement Impact**  
**2013 to 2015**  
**(\$000s)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
2013 Proposed Revenue Shortfall <sup>2</sup>	(692)	346	346
2013 Revised Revenue Shortfall <sup>3</sup>	<u>(3,172)</u>	<u>1,586</u>	<u>1,586</u>
<b>Revenue Requirement Impact</b>	<u>(2,480)</u>	<u>1,240</u>	<u>1,240</u>

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<sup>1</sup> The Settlement Agreement approved in the General Rate Order provides for recovery of the revised 2013 Revenue Shortfall through a regulatory amortization reflected in the 2013 and 2014 revenue requirements beginning on the July 1<sup>st</sup> implementation date and concluding on December 31, 2015.

<sup>2</sup> Source: See page 3-56 of Finance Evidence.

<sup>3</sup> For 2013, the proposed revenue requirement impact is  $\$3,965,000 - (6 \times \$132,167) = \$3,171,998$ . For 2014 and 2015, the impact is  $\$132,167 \times 12 = \$1,586,004$ .

**Newfoundland Power Inc.**

**2013 Revenue Requirements**  
**(\$000s)**

	<u>2013P<sup>1</sup></u>	<u>Changes</u>	<u>2013R<sup>2</sup></u>
<b>1 Costs</b>			
2 Power Supply Cost	390,257	1,181 <sup>3</sup>	391,438
3 Operating Costs	53,641	-	53,641
4 Employee Future Benefit Costs	22,650	-	22,650
5 Amortization of Deferred Cost Recoveries	1,712	(2,480) <sup>4</sup>	(768)
6 Depreciation	46,647	-	46,647
7 Income Taxes	18,361	(3,076) <sup>5</sup>	15,285
8	<u>533,268</u>	<u>(4,375)</u>	<u>528,893</u>
9			
10 <b>Return on Rate Base</b>	79,344	(6,537) <sup>5</sup>	72,807
11			
12 <b>2013 Revenue Requirement</b>	612,612	(10,912)	601,700
13			
<b>14 Deductions</b>			
15 Other Revenue	(5,163)	-	(5,163)
16 Interest on Security Deposits	12	-	12
17 Amortization of the Weather Normalization Reserve	(2,335)	-	(2,335)
18 Energy Supply Cost Variance Adjustments	(3,497)	(4,330) <sup>6</sup>	(7,827)
19 Transfers to the RSA	(78)	-	(78)
20	<u>(11,061)</u>	<u>(4,330)</u>	<u>(15,391)</u>
21			
22 <b>2013 Revenue Requirement from Rates</b>	601,551	(15,242)	586,309
23			
24 RSA <sup>7</sup>	101,508	137	101,645
25			
26 MTA <sup>7</sup>	16,343	(373)	15,970
28 <b>Total</b>	<u>719,402</u>	<u>(15,478)</u>	<u>703,924</u>

<sup>1</sup> As filed in the GRA.

<sup>2</sup> Pursuant to Order No. P.U. 13 (2013).

<sup>3</sup> Forecast increase in sales due to elasticity impacts.

<sup>4</sup> Change in the 2013 revenue shortfall due to a July 1, 2013 rate implementation date, see Appendix D.

<sup>5</sup> Primarily resulting from a reduction in return on equity.

<sup>6</sup> Increase in the energy supply cost variance reserve due to a July 1, 2013 rate implementation date.

<sup>7</sup> Based upon RSA/MTA factors effective July 1, 2012 as approved in Order No. P.U. 20 (2012).

**Newfoundland Power Inc.**

**2014 Revenue Requirements**  
**(\$000s)**

	<u>2014P<sup>1</sup></u>	<u>Changes</u>	<u>2014R<sup>2</sup></u>
<b>1 Costs</b>			
2 Power Supply Cost	397,857	1,341 <sup>3</sup>	399,198
3 Operating Costs	55,406	-	55,406
4 Employee Future Benefit Costs	22,058	-	22,058
5 Amortization of Deferred Cost Recoveries	2,750	1,240 <sup>4</sup>	3,990
6 Depreciation	48,291	-	48,291
7 Income Taxes	18,740	(2,684) <sup>5</sup>	16,056
8	<u>545,102</u>	<u>(103)</u>	<u>544,999</u>
9			
10 <b>Return on Rate Base</b>	81,838	(6,603) <sup>5</sup>	75,235
11			
12 <b>2014 Revenue Requirement</b>	626,940	(6,706)	620,234
13			
14 <b>Deductions</b>			
15 Other Revenue	(5,247)	-	(5,247)
16 Interest on Security Deposits	12	-	12
17 Amortization of the Weather Normalization Reserve	(2,335)	-	(2,335)
18 Energy Supply Cost Variance Adjustments	-	-	-
19 Transfers to the RSA	(524)	-	(524)
20	<u>(8,094)</u>	<u>-</u>	<u>(8,094)</u>
21			
22 <b>2014 Revenue Requirement from Rates</b>	618,846	(6,706)	612,140
23			
24 RSA <sup>6</sup>	102,801	221	103,022
25			
26 MTA <sup>6</sup>	16,786	(152)	16,634
27	<u>738,433</u>	<u>(6,637)</u>	<u>731,796</u>
28 <b>Total</b>	<u>738,433</u>	<u>(6,637)</u>	<u>731,796</u>

<sup>1</sup> As filed in the GRA.

<sup>2</sup> Pursuant to Order No. P.U. 13 (2013).

<sup>3</sup> Forecast increase in sales due to elasticity impacts.

<sup>4</sup> Change in the 2013 revenue shortfall due to a July 1, 2013 rate implementation date, see Appendix D.

<sup>5</sup> Primarily resulting from a reduction in return on equity.

<sup>6</sup> Based upon RSA/MTA factors effective July 1, 2012 as approved in Order No. P.U. 20 (2012).

**Newfoundland Power Inc.**

**Conversion of Base Rates to Compliance Rates<sup>1</sup>**

Rate Class A	Base Rate B	Calculation C	GRA Compliance Rate D
<b>1 Rate #1.1: Domestic Service</b>			
2			
3 Basic Customer Charge (B.C.C.)			
4 Not Exceeding 200 Amp Service	\$15.32	$[(\$15.32 \times (1 - 0.015) \times 1.02337) \times (1 / (1 - 0.015))]$	\$15.68
5 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
6			
7 Energy Charge - All kilowatt hours (¢/kWh)	9.839	$[9.839 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	11.908
8			
9 Minimum Monthly Charge			
10 Not Exceeding 200 Amp Service	\$15.32	Same as B.C.C.	\$15.68
11 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
12			
<b>13 Rate #1.1S: Domestic Seasonal - Optional</b>			
14			
15 Basic Customer Charge (B.C.C.)			
16 Not Exceeding 200 Amp Service	\$15.32	Same as Rate 1.1 B.C.C	\$15.68
17 Exceeding 200 Amp Service	\$20.21	Same as Rate 1.1 B.C.C plus \$5	\$20.68
18			
19 Energy Charge (¢/kWh)			
20 Winter Seasonal	10.770	Same as Rate 1.1 Customer Energy Charge + 0.953	12.861
21 Non-Winter Seasonal	8.572	Same as Rate 1.1 Customer Energy Charge - 1.297	10.611
22			
23 Minimum Monthly Charge			
24 Not Exceeding 200 Amp Service	\$15.32	Same as B.C.C.	\$15.68
25 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
26			
<b>27 Rate #2.1: General Service 0-100 kW</b>			
28			
29 Basic Customer Charge (B.C.C.)	\$21.40	$\$21.40 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$21.90
30			
31 Demand Charge (per kW)			
32 Winter	\$8.48	Other Demand Charge plus \$2.50	\$8.68
33 Other	\$6.04	$\$6.04 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$6.18
34			
35 Energy Charge (¢/kWh)			
36 First 3,500 kWh	9.822	$[9.822 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	11.890
37 All Excess kWh	7.291	$[7.291 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	9.300
38			
39 Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	$17.327 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	17.732+ B.C.C. <sup>2</sup>
40			
41 Minimum Monthly Charge			
42 Single Phase	\$21.40	Same as B.C.C.	\$21.90
43 Three Phase	\$35.16	$\$35.16 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$35.98

<sup>1</sup> Compliance Rates calculated based upon existing RSA and MTA Factors effective July 1, 2012.

<sup>2</sup> RSA Factor does not apply to the Maximum Monthly Charge.

Newfoundland Power Inc.

Conversion of Base Rates to Compliance Rates<sup>1</sup>

Rate Class A	Base Rate B	Calculation C	GRA Compliance Rate D
<b>1 Rate #2.3: General Service 110-1000 kVA</b>			
2			
3 Basic Customer Charge (B.C.C.)	\$48.86	$\$48.86 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$50.00
4			
5 Demand Charge (per kVA)			
6 Winter	\$7.36	Other Demand Charge plus \$2.50	\$7.53
7 Other	\$4.92	$\$4.92 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$5.03
8			
9 Energy Charge (¢/kWh)			
10 First 150 kWh/kVA			
11 of billing demand (max. 50,000 kWh)	8.573	$[8.573 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	10.612
12 All Excess kWh	6.843	$[6.843 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	8.842
13			
14 Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	$17.327 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	17.732+ B.C.C. <sup>2</sup>
15			
16 Minimum Monthly Charge	\$48.86	Same as B.C.C.	\$50.00
17			
<b>18 Rate #2.4: General Service 1000 kVA and Over</b>			
19			
20 Basic Customer Charge (B.C.C.)	\$83.06	$\$83.06 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$85.00
21			
22 Demand Charge (per kVA)			
23 Winter	\$6.96	Other Demand Charge plus \$2.50	\$7.12
24 Other	\$4.51	$\$4.51 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$4.62
25			
26 Energy Charge (¢/kWh)			
27 First 75,000 kWh	8.062	$[8.062 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	10.089
28 All Excess kWh	6.615	$[6.615 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	8.609
29			
30 Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	$17.327 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	17.732+ B.C.C. <sup>2</sup>
31			
32 Minimum Monthly Charge	\$83.06	Same as B.C.C.	\$85.00

<sup>1</sup> Compliance Rates calculated based upon existing RSA and MTA Factors effective July 1, 2012.

<sup>2</sup> RSA Factor does not apply to the Maximum Monthly Charge.

Newfoundland Power Inc.

Conversion of Base Rates to Compliance Rates<sup>1</sup>

Rate Class	Base Rate	Monthly kWh	Calculation	GRA Compliance Rate
A	B	C	D	E
<b>1 Rate #4.1: Street and Area Lighting Service<sup>2</sup></b>				
2				
3 <i>High Pressure Sodium</i>				
4 HPS 100 W Sentinel/Standard	\$16.12	38	$[16.12 + (38 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$17.18
5 HPS 100 W Post Top	\$17.49	38	$[17.49 + (38 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$18.58
6 HPS 150 W Sentinel/Standard	\$20.32	60	$[20.32 + (60 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$21.88
7 HPS 250 W Sentinel/Standard	\$28.76	105	$[28.76 + (105 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$31.34
8 HPS 400 W Sentinel/Standard	\$39.64	163	$[39.64 + (163 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$43.52
9				
10 <i>Mercury Vapour</i>				
11 MV 175 W Sentinel/Standard	\$16.12	38	$[16.12 + (38 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$17.18
12 MV 175 W Post Top	\$17.49	38	$[17.49 + (38 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$18.58
13 MV 250 W Sentinel/Standard	\$20.32	60	$[20.32 + (60 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$21.88
14 MV 400 W Sentinel/Standard	\$28.76	105	$[28.76 + (105 \times 1.770 \text{ ¢/kWh})] \times 1.02337$	\$31.34
15				
16				
<b>17 Poles</b>				
18				
19 Wood	\$7.06		$7.06 \times 1.02337$	\$7.22
20 30' Concrete or Metal	\$10.21		$10.21 \times 1.02337$	\$10.45
21 45' Concrete or Metal	\$14.38		$14.38 \times 1.02337$	\$14.72
22 25' Concrete or Metal, Post Top	\$7.80		$7.80 \times 1.02337$	\$7.98
23				
24				
<b>25 Underground Wiring (per run)</b>				
26				
27 All sizes and types of fixtures	\$12.49		$12.49 \times 1.02337$	\$12.78

<sup>1</sup> Compliance Rates calculated based upon existing RSA and MTA Factors effective July 1, 2012.

<sup>2</sup> Early payment discount does not apply to Street and Area Lighting rates.

Newfoundland Power Inc.

Conversion of Base Rates to Compliance Rates<sup>1</sup>

Time of Day Rate Study

Rate Class A	Base Rate B	Calculation C	GRA Compliance Rate D
<b>1 Domestic Time of Day Rate</b>			
2			
3 Basic Customer Charge (B.C.C.)			
4 Not Exceeding 200 Amp Service	\$15.32	$[(\$15.32 \times (1 - 0.015) \times 1.02337] \times [1 / (1 - 0.015)]$	\$15.68
5 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
6			
7 Energy Charges (¢ per kWh)			
8 Winter On-peak	14.955	$[14.955 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	17.143
9 Winter Off-peak	9.691	$[9.691 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	11.756
10 Non-Winter Off-Peak	8.535	$[8.535 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	10.573
11			
12 Minimum Monthly Charge	\$0.00	Same as B.C.C	\$0.00
13			
14			
<b>15 General Service Time of Day Rate: 1000 KVA and Over</b>			
16			
17 Basic Customer Charge	\$83.06	$\$83.06 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$85.00
18			
19 Demand Charge (per kVA)	\$1.90	$\$1.90 \times (1 - 0.015) \times 1.02337 \times [1 / (1 - 0.015)]$	\$1.94
20			
21 Energy Charges (¢ per kWh)			
22 Winter On-peak	12.700	$[12.700 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	14.836
23 Winter Off-peak	7.735	$[7.735 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	9.755
24 Non-Winter Off-Peak	6.804	$[6.804 \times (1 - 0.015) + 1.770] \times 1.02337 \times [1 / (1 - 0.015)]$	8.802
25			
26 Minimum Monthly Charge	\$83.06	Same as B.C.C.	\$85.00

<sup>1</sup> Compliance Rates calculated based upon existing RSA and MTA Factors effective July 1, 2012.

**Newfoundland Power Inc.**

**Average Billing Impacts - Compliance Rates  
(Billing Amounts include RSA and MTA effective July 1, 2012)  
(\$000s)**

Category	Adjustment		Adjusted Existing Rates	Compliance Rates	Change	GRA Rate Impacts
	Existing Rates	Due to Price Elasticity				
	(A) <sup>1</sup>	(B) <sup>2</sup>	(C) <sup>3</sup>	(D) <sup>4</sup>	(E) <sup>5</sup>	(F) <sup>6</sup>
1						
2						
3 1.1 Domestic	436,022	(6,388)	429,634	455,586	25,952	6.0%
4 1.1S Domestic Seasonal	2,702	-	2,702	2,863	161	6.0%
5 Total Domestic	<u>438,724</u>	<u>(6,388)</u>	<u>432,336</u>	<u>458,449</u>	<u>26,113</u>	<u>6.0%</u>
6						
7 2.1 General Service 0-10 kW	15,158	75	15,233	14,781	(452)	-3.0%
8 2.2 General Service 10-100 kW	83,535	-	83,535	83,559	24	0.0%
9 2.3 General Service 110-1000 kVA	101,835	-	101,835	106,769	4,934	4.8%
10 2.4 General Service over 1000 kVA	46,632	-	46,632	48,892	2,260	4.8%
11 Total General Service	<u>247,160</u>	<u>75</u>	<u>247,235</u>	<u>254,001</u>	<u>6,766</u>	
12						
13 4.1 Street and Area Lighting	15,252	-	15,252	15,990	738	4.8%
14 Forfeited Discounts	3,266	(34)	3,232	3,356	124	3.8%
15						
16 <b>Total</b>	<u>704,402</u>	<u>(6,347)</u>	<u>698,055</u>	<u>731,796</u>	<u>33,741</u>	<u>4.8%</u>

<sup>1</sup> Column A is the forecast revenue plus RSA and MTA under existing rates, based on the 2014 test year sales forecast without elasticity impacts. See Exhibit 12 Column A.

<sup>2</sup> Column B is the revised elasticity impact reflecting a 4.8% average increase in customer rates.

<sup>3</sup> Column C is the 2014 forecast customer billings under existing rates including revised elasticity impacts (Column A + Column B).

<sup>4</sup> Column D is the 2014 forecast under GRA Compliance Rates including revised elasticity impacts. Corresponds to Total shown in Appendix E, line 2

<sup>5</sup> Column E is the difference between forecast under Compliance Rates and existing rates adjusted for elasticity (Column D - Column C).

<sup>6</sup> Column F is the forecast rate increase as a result of the Newfoundland Power GRA (Column E / Column C).

**Newfoundland Power Inc.**

**Excess Earnings Account**

Current Definition

**3.05 Excess Earnings Account**

**284xx**

This account shall be credited with any earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board. Disposition of any balance in this account shall be as determined by the Board. For 2012 and subsequent years, all earnings in excess of an 8.32% rate of return on rate base shall, unless otherwise ordered by the Board, be credited to this account.

Proposed Definition

**3.05 Excess Earnings Account**

**284xx**

This account shall be credited with any earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board. The established range of return on rate base is 36 basis points. For any year, all earnings in excess of 18 basis points above the approved rate of return on rate base for that year shall, unless otherwise ordered by the Board, be credited to this account. Disposition of any balance in this account shall be as determined by the Board.

**Calculation of the Rate Stabilization Adjustment  
effective July 1, 2013**

That in accordance with the Rate Stabilization Clause, the Rate Stabilization Adjustment to be effective July 1, 2013 is calculated:

(i) by removing the previous Rate Stabilization Adjustment of 1.770 cents/kWh; and

(ii) by calculating the new adjustment as follows:

Recovery Adjustment Factor:

$$\begin{aligned}
 B &= \text{Amount owed to Hydro:} && (11.01) \text{ mills/kWh} \times && 5,379,834,205 &= && \$ (59,231,975) \\
 C &= \text{Balance in the Applicant's RSA at March 31, 2013} && && &= && \$ 17,115,110 \\
 D &= \text{Total Energy Sales by the Applicant from April 1, 2012} && && &= && 5,456,303,000 \text{ kWh} \\
 &\quad \text{to March 31, 2013} && && &= && 
 \end{aligned}$$

$$\begin{aligned}
 \text{Recovery Adjustment Factor} &= \frac{B + C}{D} \\
 &= \frac{\$ (59,231,975) + \$ 17,115,110}{5,456,303,000} \\
 &= (0.00772) \text{ \$/kWh or} \\
 &\quad (0.772) \text{ cents/kWh}
 \end{aligned}$$

Fuel Rider Adjustment Factor:

$$\begin{aligned}
 D &= \text{Corresponds to D above} && && = && 5,456,303,000 \text{ kWh} \\
 E &= \text{Total Energy Sales to the Company by Hydro from April 1, 2012} && && = && 5,379,834,205 \text{ kWh} \\
 &\quad \text{to March 31, 2013} && && & & \\
 F &= \text{The Fuel Rider charged to Newfoundland Power through Hydro's RSP} && && = && 1.634 \text{ cents/kWh}
 \end{aligned}$$

$$\begin{aligned}
 \text{Fuel Rider Adjustment Factor} &= \frac{E \times F}{D} \\
 &= \frac{5,379,834,205 \times 1.634}{5,456,303,000} \\
 &= 1.611 \text{ cents/kWh}
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Rate Stabilization Adjustment} &= \text{Recovery Adjustment Factor} && + && \text{Fuel Rider Adjustment Factor} \\
 &= (0.772) \text{ cents/kWh} && + && 1.611 \text{ cents/kWh}
 \end{aligned}$$

$$\text{Rate Stabilization Adjustment} = \mathbf{0.839 \text{ cents/kWh}}$$

**Calculation of the Municipal Tax Adjustment Factor  
for the period July 1, 2013 to June 30, 2014**

That in accordance with the Municipal Tax Clause, the Municipal Tax Adjustment factor for the period July 1, 2013 to June 30, 2014 is calculated as follows:

X	=	Amount of all municipal taxes paid in 2012	=	\$14,506,663
Y	=	Amount of Revenue earned in 2012 to which MTA factor shall apply, calculated as follows:		
		Normalized Revenue from rates for 2012	=	\$561,163,000
		Add: RSA Billings for 2012	=	\$69,942,000
		Add: 2012 Weather Normalization Revenue Adj.	=	(\$18,191,000)
		Less: Forfeited Discounts	=	\$2,737,000
Y	=			\$610,177,000
		<i>Municipal Tax Adjustment Factor</i>	=	$\frac{X}{Y} + 1.00000$
			=	$\frac{\$14,506,663}{\$610,177,000} + 1.00000$
		<b>Municipal Tax Adjustment Factor</b>	=	<b>1.02377</b>

**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 (the “General Rate Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2013 and 2014; and

**IN THE MATTER OF** an application (the “Application”) by Newfoundland Power for approval of:

- (i) customer rates, tolls and charges reflecting the determinations set out in Order No. P.U. 13 (2013), and
- (ii) a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1<sup>st</sup>, 2013 to June 30<sup>th</sup>, 2014.

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**Proposed Customer Rates**

**July 1<sup>st</sup>, 2013**

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## **1.0 Overview**

### ***1.1 Current Customer Rates***

Customer rates are derived by applying the rate stabilization and municipal tax adjustment factors (respectively, the “Rate Stabilization Adjustment” and the “MTA Factor”) to base rates. Base rates are derived from Newfoundland Power’s most recent test year revenue requirement.<sup>1</sup> Final rates are the rates used in billing customers, and include the Rate Stabilization Adjustment and the MTA Factor (“Customer Rates”).

The Rate Stabilization Adjustment is composed of a fuel rider adjustment and a recovery adjustment factor. The fuel rider adjustment recovers the difference between the cost of No. 6 fuel included in base rates and a current forecast cost of No. 6 fuel. The recovery adjustment factor primarily recovers fuel costs owing to customers as determined through the Newfoundland and Labrador Hydro (“Hydro”) Rate Stabilization Plan (“RSP”).

Customer Rates currently reflect an MTA Factor of 1.02337 and a Rate Stabilization Adjustment of 1.770¢ per kWh. The Rate Stabilization Adjustment is based on a fuel rider adjustment of 2.016¢ per kWh and a recovery adjustment factor of (0.246) ¢ per kWh. Current Customer Rates were approved in Order No. P.U. 15 (2012) and became effective July 1<sup>st</sup>, 2012.

In the Compliance Application, Newfoundland Power is requesting that the Board of Commissioners of Public Utilities (the “Board”) approve a change in customer rates effective July 1<sup>st</sup>, 2013. Appendix F to the *2013/2014 GRA Compliance Report* contains the proposed base rates which will obtain the 2013 and 2014 test year revenue requirements. The proposed Rate Stabilization Adjustment and MTA Factor provided in Schedules 3 and 4 to the Compliance Application will apply to these new base rates in determining the Customer Rates to become effective July 1<sup>st</sup>, 2013.

### ***1.2 Summary of Proposed Rate Changes***

The July 1<sup>st</sup>, 2013 rate change requested in the Compliance Application reflects (i) an increase in Customer Rates, relative to current rates, of 4.8% resulting from the Board’s determinations in Order No. P.U. 13 (2013) (the “General Rate Order”) and (ii) a decrease of 7.9% in Customer Rates as a result of the annual July 1<sup>st</sup> update to the Rate Stabilization Adjustment and the MTA Factor.

The cumulative customer impact of these changes is an average decrease in Customer Rates of 3.1% effective July 1<sup>st</sup>, 2013.

This report sets out the methodology used to derive Customer Rates to be effective July 1<sup>st</sup>, 2013.

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<sup>1</sup> Base rates exclude the Rate Stabilization Adjustment and MTA Factor that are updated annually, as these adjustment items are not revenue or expense items.

## **2.0 RSA/MTA Rate Change**

### **2.1 General Rate Order**

In the General Rate Order, the Board approved changes to the Rate Stabilization Clause effective January 1<sup>st</sup>, 2013. These included changes to: (i) reflect annual changes in the Rate Stabilization Adjustment for customers that benefit from the Maximum Monthly Charge; (ii) reflect the most recent energy consumption information for street and area lighting fixtures; (iii) permit recovery through the Rate Stabilization Account (the “RSA”) of customer energy conservation program costs; and (iv) permit the ongoing disposition through the Rate Stabilization Account of annual transfers to the Weather Normalization Reserve.

The proposed Customer Rates reflect the changes to the Rate Stabilization Clause approved in the General Rate Order, with the exception of the application of the Rate Stabilization Adjustment to the Maximum Monthly Charge. In accordance with Newfoundland Power’s proposal in the GRA, the Compliance Application proposes that amendment to the Rate Stabilization Clause to reflect annual changes in the Rate Stabilization Adjustment in the Maximum Monthly Charge be deferred until the implementation of Hydro’s next base rate change.<sup>2</sup>

### **2.2 Rate Stabilization Adjustment**

The Rate Stabilization Adjustment is to be recalculated on July 1<sup>st</sup> of each year to reflect (i) any change in the energy rate charged to Newfoundland Power by Hydro as a result of the operation of the RSP and (ii) the accumulated balance in the RSA as of March 31<sup>st</sup> of the current year.

As a result of the operation of the RSP, the RSP adjustment charged by Hydro decreased by 1.022¢ per kWh, from 1.555¢ per kWh to 0.533¢ per kWh.<sup>3</sup> This includes a decrease of 0.6¢ per kWh due to the balance in Hydro’s RSP as of March 31<sup>st</sup> and a decrease of 0.422¢ per kWh due to the change in the fuel rider.

The 1.022¢ per kWh decrease in the Hydro RSP adjustment translates to a 0.931¢ per kWh decrease in the Rate Stabilization Adjustment to Newfoundland Power’s customers. This difference primarily reflects the change in the balance in the RSA as of March 31<sup>st</sup>, 2013 relative to the previous year.<sup>4</sup> The balance in the RSA increased from \$13.6 million owing from customers as of March 31<sup>st</sup>, 2012 to \$17.1 million owing from customers as of March 31<sup>st</sup>, 2013.<sup>5</sup>

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<sup>2</sup> As explained in *4.4 Amendments to the Rules and Regulations* in Schedule 1, the proposal in the Compliance Application corrects an inadvertent error in the General Rate Order.

<sup>3</sup> In Order No. P.U. 17 (2013), the Board approved, effective July 1<sup>st</sup>, 2013, an update to the RSP adjustment charged by Hydro to Newfoundland Power resulting from the operation of the RSP.

<sup>4</sup> The Fuel Rider Adjustment for the Rate Stabilization Adjustment also differs slightly from the Hydro fuel rider. The Fuel Rider Adjustment is computed based upon Newfoundland Power energy sales to customers and the Hydro fuel rider is computed using Hydro energy sales to Newfoundland Power.

<sup>5</sup> The \$3.5 million increase in the RSA balance corresponds to a 0.064¢ per kWh difference between the Hydro RSP adjustment and the proposed Rate Stabilization Adjustment.

Table 1 provides the calculation of the revised Rate Stabilization Adjustment reflecting Newfoundland Power’s fuel rider adjustment and recovery adjustment factor.

**Table 1**  
**Rate Stabilization Adjustment Changes**

	<b>Existing</b>	<b>Adjustment</b>	<b>Proposed</b>
<b>Fuel Rider Adjustment</b>	2.016¢ per kWh	-0.405¢ per kWh	1.611¢ per kWh
<b>Recovery Adjustment Factor</b>	<u>-0.246¢ per kWh</u>	<u>-0.526¢ per kWh</u>	<u>-0.772¢ per kWh</u>
<b>Rate Stabilization Adjustment</b>	1.770¢ per kWh		0.839¢ per kWh

The Company is proposing a Rate Stabilization Adjustment of 0.839¢ per kWh to be effective July 1<sup>st</sup>, 2013.

### **2.3 MTA Factor**

Municipal taxes are not included as an expense in the determination of revenue requirement. Municipal taxes are collected through the MTA Factor, which is applied to base rates and the Rate Stabilization Adjustment to derive Customer Rates.

The Municipal Tax Clause included in Newfoundland Power’s *Schedule of Rates, Rules & Regulations* provides for the calculation of the MTA Factor. The MTA Factor is to be recalculated on July 1<sup>st</sup> of each year to reflect taxes charged to Newfoundland Power by municipalities.

Customer Rates currently reflect an MTA Factor of 1.02337. The Company is proposing an MTA Factor of 1.02377 to be effective July 1<sup>st</sup>, 2013.

### **3.0 Proposed Rates**

Appendix A to this report shows the conversion of the base rates to Customer Rates. The proposed Customer Rates reflect the Board’s determinations in the General Rate Order, and include the proposed Rate Stabilization Adjustment of 0.839¢ per kWh and the proposed MTA Factor of 1.02377.

In converting base rates to Customer Rates, the Rate Stabilization Adjustment has been applied to the energy charges in each rate classification (other than the energy charge in the “Maximum Monthly Charge” in classifications having a demand charge). The MTA Factor is applied to all rate components. The calculation of final rates also incorporates a calculation to account for the effect of the early payment discount.

Appendix B to this report provides a summary of existing and proposed Customer Rates.

Appendix C to this report presents the proposed Customer Rates to be applied to electricity consumption on and after July 1<sup>st</sup>, 2013. The proposed Customer Rates reflect the GRA participants' agreement with respect to the rate design and rate structure proposals in the GRA, as agreed in the Settlement Agreement approved in the General Rate Order, and also reflect the Rate Stabilization Adjustment and MTA Factor proposed to become effective July 1<sup>st</sup>, 2013.

#### 4.0 Cumulative Customer Impact

The cumulative impact on Customer Rates of the change in rates as a result of the General Rate Order and the proposed changes to the Rate Stabilization Adjustment and the MTA Factor for 2013 is an average decrease of 3.1%.

Table 2 shows a reconciliation of existing customer billings to proposed customer billings for the 2014 test year.

**Table 2**  
**Reconciliation of Customer Billings**  
**(\$000s)**

	<b>2014 Existing Customer Billings</b>	<b>Base Rate Change</b>	<b>RSA/MTA Adjustment</b>	<b>2014 Proposed Customer Billings</b>
Revenue from Rates	579,450	32,690		612,140 <sup>6</sup>
RSA	102,736	286	(54,188)	48,834
MTA	15,869	765	(1,003)	15,631
Customer Billings	698,055 <sup>7</sup>	33,741	(55,191)	676,605 <sup>8</sup>
<b>Change</b>				(21,450)
<b>Change</b>		4.8%	(7.9%)	(3.1%)

While the average decrease in Customer Rates is 3.1%, individual customer impacts will vary depending on usage. The only rate class that will not receive a decrease is Street and Area Lighting.<sup>9</sup>

Appendix D to this report provides the average customer impacts by rate class.

<sup>6</sup> Source: Schedule 1, *2013-2014 GRA Compliance Report*, Appendix E, Page 2 of 2, Line 22.

<sup>7</sup> Source: Schedule 1, *2013-2014 GRA Compliance Report*, Appendix G, Page 1 of 1, Line 16, Column C.

<sup>8</sup> Source: Schedule 5, *Proposed Customer Rates, July 1<sup>st</sup>, 2013*, Appendix D, Page 1 of 1, Line 16, Column B.

<sup>9</sup> The impact of the reduction in the Rate Stabilization Adjustment effective July 1<sup>st</sup>, 2013 is comparatively lower for the Street and Area Lighting class, since the cost of purchased energy comprises a much smaller percentage of the cost of serving that class.

**Newfoundland Power Inc.**

**Conversion of Base Rates to Customer Rates<sup>1</sup>**

Rate Class A	Base Rate B	Calculation C	Customer Rate D
<b>1 Rate #1.1: Domestic Service</b>			
2			
3 Basic Customer Charge (B.C.C.)			
4 Not Exceeding 200 Amp Service	\$15.32	$[(\$15.32 \times (1 - 0.015) \times 1.02377) \times (1 / (1 - 0.015))]$	\$15.68
5 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
6			
7 Energy Charge - All kilowatt hours (¢/kWh)	9.839	$[9.839 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	10.945
8			
9 Minimum Monthly Charge			
10 Not Exceeding 200 Amp Service	\$15.32	Same as B.C.C.	\$15.68
11 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
12			
<b>13 Rate #1.1S: Domestic Seasonal - Optional</b>			
14			
15 Basic Customer Charge (B.C.C.)			
16 Not Exceeding 200 Amp Service	\$15.32	Same as Rate 1.1 B.C.C	\$15.68
17 Exceeding 200 Amp Service	\$20.21	Same as Rate 1.1 B.C.C plus \$5	\$20.68
18			
19 Energy Charge (¢/kWh)			
20 Winter Seasonal	10.770	Same as Rate 1.1 Customer Energy Charge + 0.953	11.898
21 Non-Winter Seasonal	8.572	Same as Rate 1.1 Customer Energy Charge - 1.297	9.648
22			
23 Minimum Monthly Charge			
24 Not Exceeding 200 Amp Service	\$15.32	Same as B.C.C.	\$15.68
25 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
26			
<b>27 Rate #2.1: General Service 0-100 kW</b>			
28			
29 Basic Customer Charge (B.C.C.)	\$21.40	$\$21.40 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$21.91
30			
31 Demand Charge (per kW)			
32 Winter	\$8.48	Other Demand Charge plus \$2.50	\$8.68
33 Other	\$6.04	$\$6.04 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$6.18
34			
35 Energy Charge (¢/kWh)			
36 First 3,500 kWh	9.822	$[9.822 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	10.927
37 All Excess kWh	7.291	$[7.291 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	8.336
38			
39 Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	$17.327 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	17.739+ B.C.C. <sup>2</sup>
40			
41 Minimum Monthly Charge			
42 Single Phase	\$21.40	Same as B.C.C.	\$21.91
43 Three Phase	\$35.16	$\$35.16 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$36.00

<sup>1</sup> Customer Rates calculated based upon proposed RSA and MTA Factors effective July 1, 2013.

<sup>2</sup> RSA Factor does not apply to the Maximum Monthly Charge.

Newfoundland Power Inc.

Conversion of Base Rates to Customer Rates<sup>1</sup>

Rate Class A	Base Rate B	Calculation C	Customer Rate D
<b>1 Rate #2.3: General Service 110-1000 kVA</b>			
2			
3 Basic Customer Charge (B.C.C.)	\$48.86	$\$48.86 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$50.02
4			
5 Demand Charge (per kVA)			
6 Winter	\$7.36	Other Demand Charge plus \$2.50	\$7.54
7 Other	\$4.92	$\$4.92 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$5.04
8			
9 Energy Charge (¢/kWh)			
10 First 150 kWh/kVA			
11 of billing demand (max. 50,000 kWh)	8.573	$[8.573 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	9.649
12 All Excess kWh	6.843	$[6.843 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	7.878
13			
14 Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	$17.327 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	17.739+ B.C.C. <sup>2</sup>
15			
16 Minimum Monthly Charge	\$48.86	Same as B.C.C.	\$50.02
17			
<b>18 Rate #2.4: General Service 1000 kVA and Over</b>			
19			
20 Basic Customer Charge (B.C.C.)	\$83.06	$\$83.06 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$85.03
21			
22 Demand Charge (per kVA)			
23 Winter	\$6.96	Other Demand Charge plus \$2.50	\$7.12
24 Other	\$4.51	$\$4.51 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$4.62
25			
26 Energy Charge (¢/kWh)			
27 First 75,000 kWh	8.062	$[8.062 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	9.126
28 All Excess kWh	6.615	$[6.615 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	7.644
29			
30 Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	$17.327 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	17.739+ B.C.C. <sup>2</sup>
31			
32 Minimum Monthly Charge	\$83.06	Same as B.C.C.	\$85.03

<sup>1</sup> Customer Rates calculated based upon proposed RSA and MTA Factors effective July 1, 2013.

<sup>2</sup> RSA Factor does not apply to the Maximum Monthly Charge.

Newfoundland Power Inc.

Conversion of Base Rates to Customer Rates<sup>1</sup>

Rate Class A	Base Rate B	Monthly kWh C	Calculation D	GRA Compliance Rate E
<b>1 Rate #4.1: Street and Area Lighting Service<sup>2</sup></b>				
2				
3 <i>High Pressure Sodium</i>				
4 HPS 100 W Sentinel/Standard	\$16.12	38	$[16.12 + (38 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$16.83
5 HPS 100 W Post Top	\$17.49	38	$[17.49 + (38 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$18.23
6 HPS 150 W Sentinel/Standard	\$20.32	60	$[20.32 + (60 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$21.31
7 HPS 250 W Sentinel/Standard	\$28.76	105	$[28.76 + (105 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$30.34
8 HPS 400 W Sentinel/Standard	\$39.64	163	$[39.64 + (163 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$41.98
9				
10 <i>Mercury Vapour</i>				
11 MV 175 W Sentinel/Standard	\$16.12	38	$[16.12 + (38 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$16.83
12 MV 175 W Post Top	\$17.49	38	$[17.49 + (38 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$18.23
13 MV 250 W Sentinel/Standard	\$20.32	60	$[20.32 + (60 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$21.31
14 MV 400 W Sentinel/Standard	\$28.76	105	$[28.76 + (105 \times 0.839 \text{ ¢/kWh})] \times 1.02377$	\$30.34
15				
16				
<b>17 Poles</b>				
18				
19 Wood	\$7.06		$7.06 \times 1.02377$	\$7.23
20 30' Concrete or Metal	\$10.21		$10.21 \times 1.02377$	\$10.45
21 45' Concrete or Metal	\$14.38		$14.38 \times 1.02377$	\$14.72
22 25' Concrete or Metal, Post Top	\$7.80		$7.80 \times 1.02377$	\$7.99
23				
24				
<b>25 Underground Wiring (per run)</b>				
26				
27 All sizes and types of fixtures	\$12.49		$12.49 \times 1.02377$	\$12.79

<sup>1</sup> Customer Rates calculated based upon proposed RSA and MTA Factors effective July 1, 2013.

<sup>2</sup> Early payment discount does not apply to Street and Area Lighting rates.

Newfoundland Power Inc.

Conversion of Base Rates to Customer Rates<sup>1</sup>

Time of Day Rate Study

Rate Class A	Base Rate B	Calculation C	Customer Rate D
1 Domestic Time of Day Rate			
2			
3 Basic Customer Charge (B.C.C.)			
4 Not Exceeding 200 Amp Service	\$15.32	$[(\$15.32 \times (1 - 0.015) \times 1.02377] \times (1 / (1 - 0.015))]$	\$15.68
5 Exceeding 200 Amp Service	\$20.21	Final B.C.C. plus \$5	\$20.68
6			
7 Energy Charges (¢ per kWh)			
8 Winter On-peak	14.955	$[14.955 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	16.183
9 Winter Off-peak	9.691	$[9.691 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	10.793
10 Non-Winter Off-Peak	8.535	$[8.535 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	9.610
11			
12 Minimum Monthly Charge	\$0.00	Same as B.C.C	\$0.00
13			
14			
15 General Service Time of Day Rate: 1000 KVA and Over			
16			
17 Basic Customer Charge	\$83.06	$\$83.06 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$85.03
18			
19 Demand Charge (per kVA)	\$1.90	$\$1.90 \times (1 - 0.015) \times 1.02377 \times [1 / (1 - 0.015)]$	\$1.95
20			
21 Energy Charges (¢ per kWh)			
22 Winter On-peak	12.700	$[12.700 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	13.874
23 Winter Off-peak	7.735	$[7.735 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	8.791
24 Non-Winter Off-Peak	6.804	$[6.804 \times (1 - 0.015) + 0.839] \times 1.02377 \times [1 / (1 - 0.015)]$	7.838
25			
26 Minimum Monthly Charge	\$83.06	Same as B.C.C.	\$85.03

<sup>1</sup> Customer Rates calculated based upon proposed RSA and MTA Factors effective July 1, 2013.

Newfoundland Power Inc.

Summary of Existing and Proposed Customer Rates  
(Includes Proposed Municipal Tax and Rate Stabilization Adjustments)

	July 1, 2012	July 1, 2013
	<u>Existing Rates</u>	<u>Proposed Rates</u>
1		
2		
3		
4	<u>Domestic - Rate #1.1</u>	
5	Basic Customer Charge	
6	Not Exceeding 200 Amp Service	\$15.68/month
7	Exceeding 200 Amp Service	\$20.68/month
8		
9		
10	Energy Charge - All kilowatt hours	11.171 ¢/kWh
11		
12	Minimum Monthly Charge	
13	Not Exceeding 200 Amp Service	\$15.68/month
14	Exceeding 200 Amp Service	\$20.68/month
15		
16	Prompt Payment Discount	1.5% - min. \$1
17		
18		
19	<u>Domestic - Rate #1.1S</u>	
20	Basic Customer Charge	
21	Not Exceeding 200 Amp Service	\$15.68/month
22	Exceeding 200 Amp Service	\$20.68/month
23		
24	Energy Charge	
25	Winter Seasonal	12.124 ¢/kWh
26	Non-Winter Seasonal	9.874 ¢/kWh
27		
28	Minimum Monthly Charge	
29	Not Exceeding 200 Amp Service	\$15.68/month
30	Exceeding 200 Amp Service	\$20.68/month
31		
32	Prompt Payment Discount	1.5% - min. \$1

Newfoundland Power Inc.

Summary of Existing and Proposed Customer Rates  
(Includes Proposed Municipal Tax and Rate Stabilization Adjustments)

	July 1, 2012 <u>Existing Rates</u>	July 1, 2013 <u>Proposed Rates</u>
1		
2		
3		
4	<u>G.S. 0-10 kW - Rate #2.1</u>	
5	Basic Customer Charge	\$17.99/month      \$21.91/month
6		
7	Energy Charges	
8	First 3,500 kilowatt-hours	12.943 ¢/kWh      10.927 ¢/kWh
9	All excess kilowatt-hours	12.943 ¢/kWh      8.336 ¢/kWh
10		
11		
12	Minimum Monthly Charge	
13	- single phase	\$17.99      \$21.91
14	- three phase	\$35.98      \$36.00
15		
16	Prompt Payment Discount	1.5% - min. \$1      1.5%
17		
18	<u>G.S. 10-100 kW (110 kVA) - Rate #2.2</u>	
19	Basic Customer Charge	\$20.71/month      \$21.91/month
20		
21	Demand Charge Regular	\$8.68/kW - winter      \$8.68/kW - winter
22		\$7.18/kW - other      \$6.18/kW - other
23	Energy Charge	
24	First 150 kWh/kW of billing demand	10.438 ¢/kWh      N/A
25	All Excess kWh	8.075 ¢/kWh      N/A
26		
27	First 3,500 kilowatt-hours	N/A      10.927 ¢/kWh
28	All excess kilowatt-hours	N/A      8.336 ¢/kWh
29		
30		
31	Maximum Monthly Charge	16.920 ¢/kWh + B.C.C.      17.739 ¢/kWh + B.C.C.
32		
33	Minimum Monthly Charge	
34	Single Phase	\$20.71/month      \$21.91/month
35	Three Phase	\$35.98/month      \$36.00/month
36		
37	Prompt Payment Discount	1.5% - min. \$1      1.5%

Newfoundland Power Inc.

Summary of Existing and Proposed Customer Rates  
(Includes Proposed Municipal Tax and Rate Stabilization Adjustments)

	July 1, 2012 <u>Existing Rates</u>	July 1, 2013 <u>Proposed Rates</u>
<u>G.S. 110-1000 kVA - Rate #2.3</u>		
Basic Customer Charge	\$93.24/month	\$50.02/month
Demand Charge	\$7.50/kVA-winter \$6.00/kVA-other	\$7.54/kVA-winter \$5.04/kVA-other
Energy Charge		
First 150 kWh per kVA of demand (max. 30,000)	10.409 ¢/kWh (max 50,000)	9.649 ¢/kWh
All Excess kWh	7.999 ¢/kWh	7.878 ¢/kWh
Maximum Monthly Charge	16.920 ¢/kWh + B.C.C.	17.739 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$93.24/month	\$50.02/month
Prompt Payment Discount	1.5% - (max \$500)	1.5%
<u>G.S. 1000 kVA and Over - Rate #2.4</u>		
Basic Customer Charge	\$186.48/month	\$85.03/month
Demand Charge	\$7.08/kVA-winter \$5.58/kVA-other	\$7.12/kVA-winter \$4.62/kVA-other
Energy Charge		
First 75,000 kWh	9.048 ¢/kWh	9.126 ¢/kWh
Next 25,000 kWh	9.048 ¢/kWh	7.644 ¢/kWh
All Excess kWh	7.934 ¢/kWh	7.644 ¢/kWh
Maximum Monthly Charge	16.920 ¢/kWh + B.C.C.	17.739 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$186.48/month	\$85.03/month
Prompt Payment Discount	1.5% - (max \$500)	1.5%

Newfoundland Power Inc.

Summary of Existing and Proposed Customer Rates  
(Includes Proposed Municipal Tax and Rate Stabilization Adjustments)

Street and Area Lighting Rates

			July 1, 2012 <u>Existing Rates</u>	July 1, 2013 <u>Proposed Rates</u>
1				
2				
3	<u>Fixtures</u>			
4				
5	<u>Sentinel/Standard</u>			
6				
7	High Pressure Sodium-	100W	\$16.48	\$16.83
8	-	150W	21.28	21.31
9	-	250W	28.96	30.34
10	-	400W	40.41	41.98
11				
12	Mercury Vapour	- 175W	\$16.48	\$16.83
13		- 250W	21.28	21.31
14		- 400W	28.96	30.34
15				
16	<u>Post Top</u>			
17				
18	High Pressure Sodium-	100W	\$17.63	\$18.23
19				
20	Mercury Vapour	- 175W	\$17.63	\$18.23
21				
22				
23	<u>Poles</u>			
24				
25	Wood		\$6.81	\$7.23
26	30' Concrete or Metal,			
27	direct buried		9.88	10.45
28	45' Concrete or Metal,			
29	direct buried		15.04	14.72
30	25' Concrete or Metal,			
31	Post Top, direct buried		7.61	7.99
32				
33	<u>Underground Wiring (per run)</u>			
34				
35	All sizes and types of fixtures		\$12.03	\$12.79

Newfoundland Power Inc.

Summary of Existing and Proposed Rates for TOD Rate Study  
(Includes Proposed Municipal Tax and Rate Stabilization Adjustments)

	July 1, 2012	July 1, 2013
	<u>Existing Rates</u>	<u>Proposed Rates</u>
1		
2		
3	<u>Domestic Time of Day Rate</u>	
4	Basic Customer Charge	
5	Not Exceeding 200 Amp Service	\$15.68/month
6	Exceeding 200 Amp Service	\$15.68/month
7		
8	Energy Charge –	
9	Winter On-peak	16.024 ¢/kWh
10	Winter Off-peak	11.031 ¢/kWh
11	Non-Winter Off-peak	9.934 ¢/kWh
12		
13	Minimum Monthly Charge	\$15.68
14		
15	Prompt Payment Discount	1.5% - min. \$1
16		
17		
18	<u>G.S. Time of Day Rate: 1000 kVA and Over</u>	
19		
20	Basic Customer Charge	\$186.48/month
21		
22	Demand Charge	\$1.83/kVA-winter
23		
24	Energy Charge	
25	Winter On-peak	14.100 ¢/kWh
26	Winter Off-peak	9.306 ¢/kWh
27	Non-Winter Off-peak	8.408 ¢/kWh
28		
29	Minimum Monthly Charge	\$186.48/month
30		
31	Prompt Payment Discount	1.5% - (max \$500)

**NEWFOUNDLAND POWER INC.  
RATE #1.1  
DOMESTIC SERVICE**

**Availability:**

For Service 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:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:

Not Exceeding 200 Amp Service .....	\$15.68 per month
Exceeding 200 Amp Service .....	\$20.68 per month

Energy Charge:

All kilowatt-hours .....	@10.945¢ per kWh
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Minimum Monthly Charge:

Not Exceeding 200 Amp Service .....	\$15.68 per month
Exceeding 200 Amp Service .....	\$20.68 per month

**Discount:**

A discount of 1.5% of the amount of the current month's bill 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 does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.  
RATE #1.1S  
DOMESTIC SEASONAL - OPTIONAL**

**Availability:**

Available upon request for Service to Customers served under Rate #1.1 Domestic Service who have a minimum of 12 months of uninterrupted billing history at their current Serviced Premises.

**Rate:**

The Energy Charges provided for in Rate #1.1 Domestic Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):

All kilowatt-hours .....@ 0.953¢ per kWh

Non-Winter Season Credit Adjustment (Billing Months of May through November):

All kilowatt-hours .....@ (1.297)¢ per kWh

**Special Conditions:**

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the Customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.

NEWFOUNDLAND POWER INC.  
RATE #2.1  
GENERAL SERVICE 0-100 kW (110 kVA)

**Availability:**

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 100 kilowatts (110 kilovolt-amperes).

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: .....\$21.91 per month

**Demand Charge:**

\$8.68 per kW of billing demand in the months of December, January, February and March and \$6.18 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month in excess of 10 kW.

**Energy Charge:**

Energy Charge:

First 3,500 kilowatt-hours .....@ 10.927¢ per kWh

All excess kilowatt-hours .....@ 8.336¢ per kWh

**Maximum Monthly Charge:**

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

**Minimum Monthly Charge:**

Single Phase .....\$21.91 per month

Three Phase .....\$36.00 per month

**Discount:**

A discount of 1.5% of the amount of the current month's bill 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 POWER INC.  
RATE #2.3  
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

**Availability:**

For Service 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:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: .....\$50.02 per month

**Demand Charge:**

\$7.54 per kVA of billing demand in the months of December, January, February and March and \$5.04 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

**Energy Charge:**

First 150 kilowatt-hours per kVA of billing demand,  
up to a maximum of 50,000 kilowatt-hours .....@ 9.649¢ per kWh  
All excess kilowatt-hours .....@ 7.878¢ per kWh

**Maximum Monthly Charge:**

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge.

**Discount:**

A discount of 1.5% of the amount of the current month's bill 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 POWER INC.  
RATE #2.4  
GENERAL SERVICE 1000 KVA AND OVER

**Availability:**

For Service where the maximum demand occurring in the 12 months ending with the current month is 1000 kilovolt-amperes or greater.

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: .....\$85.03 per month

**Demand Charge:**

\$7.12 per kVA of billing demand in the months of December, January, February and March and \$4.62 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

**Energy Charge:**

First 75,000 kilowatt-hours .....@ 9.126¢ per kWh

All excess kilowatt-hours .....@ 7.644¢ per kWh

**Maximum Monthly Charge:**

The Maximum Monthly Charge shall be 17.739 cents per kWh plus the Basic Customer Charge.

**Discount:**

A discount of 1.5% of the amount of the current month's bill 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 POWER INC.**  
**RATE #4.1**  
**STREET AND AREA LIGHTING SERVICE**

**Availability:**

For Street and Area Lighting Service where the electricity is supplied by the Company and all fixtures, wiring and controls are provided, owned and maintained by the Company.

**Monthly Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

	<b>Sentinel/Standard</b>	<b>Post Top</b>
<b>High Pressure Sodium</b>		
100W ( 8,600 lumens)	\$16.83	\$18.23
150W (14,400 lumens)	21.31	-
250W (23,200 lumens)	30.34	-
400W (45,000 lumens)	41.98	-

**Mercury Vapour**

175W ( 7,000 lumens)	\$16.83	\$18.23
250W ( 9,400 lumens)	21.31	-
400W (17,200 lumens)	30.34	-

**Special poles used exclusively for lighting service\*\***

Wood	\$7.23
30' Concrete or Metal, direct buried	10.45
45' Concrete or Metal, direct buried	14.72
25' Concrete or Metal, Post Top, direct buried	7.99

**Underground Wiring (per run)\*\***

All sizes and types of fixtures	\$12.79
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\*\* Where a pole or underground wiring run serves two fixtures paid for by different parties, the above rates for such poles and underground wiring may be shared equally between the two parties.

**General:**

Details regarding 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 POWER INC.**  
**CURTAILABLE SERVICE OPTION**  
**(for Rates #2.3 and #2.4 only)**

**Availability:**

For Customers billed on Rate #2.3 or #2.4 that can reduce their demand ("Curtail") by between 300 kW (330 kVA) and 5000 kW (5500 kVA) upon request by the Company during the Winter Peak Period. The Winter Peak Period is between 8 a.m. and 9 p.m. daily during the calendar months of December, January, February and March. The ability of a Customer to Curtail must be demonstrated to the Company's satisfaction prior to the Customer's availing of this rate option.

**Credit for Curtailing:**

If the Customer Curtails as requested for the duration of a Winter, the Company shall credit to the Customer's account the Curtailment Credit during May billing immediately following that Winter. The Curtailment Credit shall be determined by one of the following options:

**Option 1:**

The Customer will contract to reduce demand by a specific amount during Curtailment periods (the "Contracted Demand Reduction"). The Curtailment Credit for Option 1 is determined as follows:

Curtailment Credit = Contracted Demand Reduction x \$29 per kVA

**Option 2:**

The Customer will contract to reduce demand to a Firm Demand level which the Customer's maximum demand must not exceed during a Curtailment period. The Curtailment Credit for Option 2 is determined as follows:

Maximum Demand Curtailed = (Maximum Winter Demand - Firm Demand)

Peak Period Load Factor = 
$$\frac{\text{kWh usage during Peak Period}}{(\text{Maximum Demand during Peak Period} \times 1573 \text{ hours})}$$

Curtailment Credit = ((Maximum Demand Curtailed x 50%) + (Maximum Demand Curtailed x 50% x Peak Period Load Factor)) x \$29 per kVA

**Limitations on Requests to Curtail:**

Curtailment periods will:

1. Not exceed 6 hours duration for any one occurrence.
2. Not be requested to start within 2 hours of the expiration of a prior Curtailment period.
3. Not exceed 100 hours duration in total during a winter period.

The Company shall request the Customer to Curtail at least 1 hour prior to the commencement of the Curtailment period.

**NEWFOUNDLAND POWER INC.**  
**CURTAILABLE SERVICE OPTION**  
**(for Rates #2.3 and #2.4 only)**

**Failure to Curtail:**

Failure to Curtail under Option 1 occurs when a Customer does not reduce its demand by the Contracted Demand Reduction for the duration of a Curtailment period. Failure to Curtail under Option 2 occurs when a Customer does not reduce its demand to the Firm Demand level or below for the duration of a Curtailment period.

The Curtailment Credit will be reduced by 50% as a result of the first failure to Curtail during a Winter. For each additional failure to Curtail, the Curtailment Credit will be reduced by a further 25% of the Curtailment Credit. If the Customer fails to Curtail three times during a Winter, the Customer forfeits 100% of the Curtailment Credit and the Customer will no longer be entitled to service under the Curtailable Service Option.

Notwithstanding the previous paragraph, no Curtailment Credit will be provided if the number of failures to Curtail equals the number of Curtailment requests.

**Termination/Modification:**

The Company requires six months written notice of the Customer's intention to either discontinue Curtailable Service Option or to modify the Contracted Demand Reduction or Firm Demand level.

**General:**

Services billed on this Service Option will have approved load monitoring equipment installed. For a customer that Curtails by using its own generation in parallel with the Company's electrical system, all Company interconnection guidelines will apply, and the Company has the option of monitoring the output of the Customer's generation. All costs associated with equipment required to monitor the Customer's generation will be charged to the Customer's account.

**NEWFOUNDLAND POWER INC.  
TIME OF DAY RATE STUDY  
DOMESTIC SERVICE**

**Availability:**

Available to Customers served under Rate #1.1 Domestic Service who participate in the Time of Day Rate Study.

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

**Basic Customer Charge:**

Not Exceeding 200 Amp Service .....	\$15.68 per month
Exceeding 200 Amp Service .....	\$20.68 per month

**Energy Charges:**

Winter On-Peak kWh .....	16.183¢ per kWh
Winter Off-Peak kWh .....	10.793¢ per kWh
Non-Winter kWh.....	9.610¢ per kWh
Minimum Monthly Charge .....	\$15.68 per month

**Winter On-Peak:**

The Winter On-Peak period is defined as the hours starting at 8:00 a.m. to 12:00 p.m. and 4:00 p.m. to 8:00 p.m. Monday through Friday for the billing months of December through March (Winter Months).

**Winter Off-Peak:**

The Winter Off-Peak period is defined as all hours not included above in the On-Peak period including all weekends for the Winter Months.

**Non-Winter:**

The Non-Winter period is defined as the billing months of April through November.

**Discount:**

A discount of 1.5% of the amount of the current month's bill 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 does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.  
TIME OF DAY RATE STUDY  
GENERAL SERVICE 1000 KVA AND OVER**

**Availability:**

Available to Customers served under Rate #2.4 General Service 1000 kVA and Over who participate in the Time of Day Rate Study.

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge ..... \$85.03 per month

**Demand Charge:**

\$1.95 per kVA of billing demand. The billing demand shall be the maximum demand registered on the meter in the current month.

**Energy Charges:**

Winter On-Peak kWh ..... 13.874¢ per kWh  
Winter Off-Peak kWh ..... 8.791¢ per kWh  
Non-Winter kWh ..... 7.838¢ per kWh  
  
Minimum Monthly Charge ..... \$85.03 per month

**Winter On-Peak:**

The Winter On-Peak period is defined as the hours starting at 8:00 a.m. to 12:00 p.m. and 4:00 p.m. to 8:00 p.m. Monday through Friday for the billing months of December through March (Winter Months).

**Winter Off-Peak:**

The Winter Off-Peak period is defined as all hours not included above in the On-Peak period including all weekends for the Winter Months.

**Non-Winter:**

The Non-Winter period is defined as the billing months of April through November.

**Discount:**

A discount of 1.5% of the amount of the current month's bill 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 does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

Newfoundland Power Inc.

Average Billing Impacts - Customer Rates  
(Billing Amounts include RSA and MTA effective July 1, 2013)  
(\$000s)

Category	Adjusted <u>Existing Rates</u>	Customer <u>Rates</u>	<u>Change</u>	<u>Average Impacts</u>
	(A) <sup>1</sup>	(B) <sup>2</sup>	(C) <sup>3</sup>	(D) <sup>4</sup>
1				
2				
3 1.1 Domestic	429,634	422,077	(7,557)	-1.8%
4 1.1S Domestic Seasonal	2,702	2,659	(43)	-1.6%
5 Total Domestic	<u>432,336</u>	<u>424,736</u>	<u>(7,600)</u>	<u>-1.8%</u>
6				
7 2.1 General Service 0-10 kW	15,233	13,848	(1,385)	-9.1%
8 2.2 General Service 10-100 kW	83,535	77,023	(6,512)	-7.8%
9 2.3 General Service 110-1000 kVA	101,835	97,762	(4,073)	-4.0%
## 2.4 General Service over 1000 kVA	46,632	44,179	(2,453)	-5.3%
## Total General Service	<u>247,235</u>	<u>232,812</u>	<u>(14,423)</u>	<u>-5.8%</u>
##				
## 4.1 Street and Area Lighting	15,252	15,701	449	2.9%
## Forfeited Discounts	3,232	3,356	124	3.8%
##				
## <b>Total</b>	<u>698,055</u>	<u>676,605</u>	<u>(21,450)</u>	<u>-3.1%</u>

<sup>1</sup> Column A is the 2014 forecast customer billings under existing rates including revised elasticity impacts (See Appendix G to GRA Compliance Report, Column C).

<sup>2</sup> Column B is the 2014 forecast under the Proposed Customer Rates including revised elasticity impacts.

<sup>3</sup> Column C is the difference between forecast under Proposed Customer Rates and Existing rates (Column B - Column A).

<sup>4</sup> Column D is the forecast rate change as a result of the General Rate Order and the RSA/MTA update (Column C / Column A).