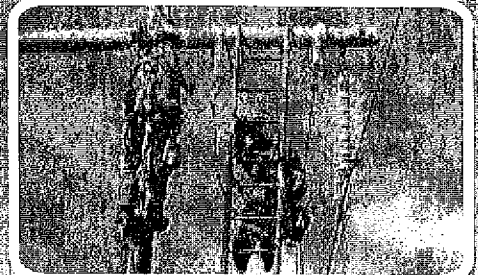
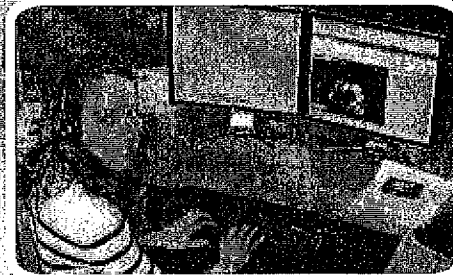
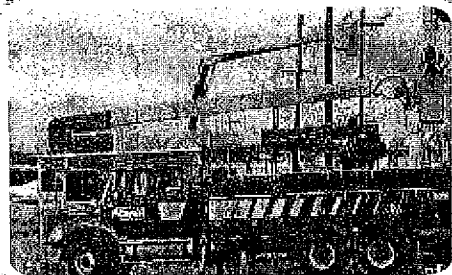


POWERConnection

A newsletter for customers of Newfoundland Power

October 2012



Proposed changes to electricity rates

On September 14, 2012, Newfoundland Power filed a General Rate Application ("GRA") as directed by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") proposing an overall average increase to current electricity rates of 6.0%, effective March 1, 2013. As a regulated utility, Newfoundland Power is periodically required to file a GRA. The next step in this process involves a full review of the Company's costs and customer rates by the Consumer Advocate, the PUB and other key stakeholders.

One of the primary drivers behind the proposed rate change relates to energy supply costs. Approximately 93% of the electricity delivered to customers is purchased from Newfoundland and Labrador Hydro ("Hydro"). Rising energy supply costs are the result of increased purchases from Hydro to meet customers' electricity requirements.

Over the past five years alone, Newfoundland Power has invested over \$350 million in the provincial electricity system, resulting in a 30% decrease in the number of outages per customer over the same period. Establishing a fair and reasonable future return on this investment is another component of this rate increase. Various costs associated with the delivery of electricity also impact this rate change, including: depreciation, a significant portion of which is the result of connecting a growing number of new homes to the electricity system in recent years; and, retirement costs.

We work hard to minimize the impact of rate increases on customers while balancing the need to maintain and extend the electricity system to provide our customers with safe, reliable service. This includes continued investment in rural areas of the province while at the same time meeting customer demand for new services in high growth urban centres.

When setting electricity rates, it is important that the cost of providing service is fairly allocated and reflects the actual cost of providing electricity to customers in each category. Based on a detailed review of costs and customer usage patterns, Newfoundland Power is proposing in this GRA that the rate increase vary across each of its customer categories.

Proposed rate changes by customer category

Customer Category	March 31, 2013 average rate increase
Residential	7.2%
General Service	
0 - 100 kW (110 kVA)	0.6%
110 - 1000 kVA	6.0%
1000 kVA & over	6.0%
Street & Area Lighting	6.0%

The actual impact of the proposed rate changes on individual customers will vary depending on customer usage.

We recognize that any rate increase is significant for our customers. **However, even after the proposed rate changes, our electricity rates for residential customers will still remain among the lowest in Atlantic Canada.**

We are committed to continuing to help you use energy wisely with enhanced programs and practical tips on how to save energy and save money throughout your homes and businesses with our energy efficiency partnership, takeCHARGE – Saving Energy Starts Here! You can visit our website to review our GRA and learn about more saving energy and money at takechargenl.ca.