

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
NEWFOUNDLAND AND LABRADOR**

**NOTICE OF APPLICATION
and
PRE-HEARING CONFERENCE**

**NEWFOUNDLAND POWER INC.
GENERAL RATE APPLICATION**

On September 14, 2012 the Board of Commissioners of Public Utilities (the "Board") received a General Rate Application (the "Application") from Newfoundland Power Inc. for a full review of its 2013 and 2014 costs. Newfoundland Power is requesting that the Board approve, among other things, an overall average increase in current electricity rates of 6.0% as of March 1, 2013, which includes:

- (1) proposed average increases of 7.2% for residential customers; and
- (2) proposed average increases ranging from 0.6% to 6.0% for commercial customers.

The specific impacts on customers' rates will vary depending on individual circumstances, including electrical consumption and rate classification. All customers of Newfoundland Power as well as customers of Newfoundland and Labrador Hydro whose rates are based on Newfoundland Power's rate schedules may be affected by the outcome of this Application. While all aspects of Newfoundland Power's regulated activities are subject to review, the specific proposals contained in the Application are set out in Schedule A below.

HOW TO SEE THE APPLICATION

Copies of the Application, the legislation and regulations are available for public viewing at the offices of the Board between the hours of 8:30 a.m. to 12:30 p.m. and 1:30 p.m. to 4:30 p.m., Monday through Friday or upon request from the Board Secretary at (709) 726-8600 or on the Board's website at www.pub.nl.ca.

A copy of the Application can also be viewed at any of Newfoundland Power's regional offices located throughout the Province and can be viewed on its website at www.newfoundlandpower.com.

PRE-HEARING CONFERENCE

A pre-hearing conference will convene at **10:00 A.M. on Thursday, October 11, 2012** in the Board's hearing room, Prince Charles Building, 120 Torbay Road, St. John's to, among other things, identify intervenors and to set the schedule and procedures for the proceeding.

HOW TO PARTICIPATE

An interested person or organization can participate in the Application by becoming an intervenor, by making a presentation in person or by submitting a letter of comment.

Interested person(s) wishing to become a registered intervenor must apply to the Board by way of an intervenor's submission in accordance with Section 9 of the *Board of Commissioners of Public Utilities Regulations, 1996*.

Copies of all intervenor submissions and supporting documents must be filed with the Board by 3:00 p.m., Tuesday, October 9, 2012.

Following the pre-hearing conference the Board will publish a further notice of the schedule for the proceeding.

HOW TO CONTACT THE BOARD

All correspondence and requests for further information should be submitted to the Board Secretary as set out below.

Office: Suite E210, Prince Charles Building, 120 Torbay Road, St. John's
Mail: P.O. Box 21040, St. John's, NL; A1A 5B2
Telephone: 709-726-8600 or 1-866-782-0006 (toll free)
Facsimile: 709-726-9604
E-mail: ito@pub.nl.ca

Dated at St. John's, Newfoundland and Labrador, this 26th day of September 2012.

Cheryl Blundon
Board Secretary

SCHEDULE A

1. Newfoundland Power proposes that the Board approve rates, tolls and charges with effect from March 1, 2013 which result in an overall average increase in current customer rates of 6.0% and average increases in proposed customer rates by class as follows:

<i>Rate Class</i>	<i>Average Increase</i>
Domestic	7.2%
General Service 0-100 kW (110 kVA)	0.6%
General Service 110-1000 kVA	6.0%
General Service 1000 kVA and Over	6.0%
Street and Area Lighting	6.0%

2. Newfoundland Power proposes certain rate structure changes to all rate classes, with effect from March 1, 2013, including the merger of Rate 2.1 and 2.2 into a single rate class, and changes to the demand and energy charges, the energy block, the early payment discount and the basic customer charge across several rate classes.
3. Newfoundland Power proposes an increase in the current rate of return on average rate base of 8.14% to 8.64% for 2013 and 8.58% for 2014.
4. Newfoundland Power proposes a forecast average rate base for 2013 of \$917,891,000 and for 2014 of \$954,123,000.
5. Newfoundland Power proposes forecast revenue requirements from customer rates for 2013 of \$601,551,000 and for 2014 of \$618,846,000.
6. Newfoundland Power proposes that the Board discontinue using the automatic adjustment formula for setting the allowed rate of return on average rate base for Newfoundland Power.
7. Newfoundland Power proposes certain amendments to the Rate Stabilization Clause in the rules and regulations governing Newfoundland Power's provision of electrical service to its customers.
8. Newfoundland Power proposes that the Board approve several changes in relation to accounting treatments, policies and procedures, including:

- (a) the calculation of the depreciation expense with effect from January 1, 2013 by using the depreciation rates recommended in the Depreciation Study filed with the Application and the amortization of the accumulated reserve variance of approximately \$2.6 million over the remaining life of the assets;
- (b) the calculation of the defined benefit pension expense for regulatory purposes in accordance with U.S. GAAP and the amortization over 15 years of the forecast defined benefit pension expense regulatory asset of approximately \$12.4 million;
- (c) the deferral and amortization with effect from January 1, 2013 of annual customer energy conservation program costs over a seven year period;
- (d) the annual disposition of prior year balances in the Weather Normalization Reserve through the Rate Stabilization Account, with effect from January 1, 2013;
- (e) the recovery over a three year period, from 2013 through 2015 of:
 - i) certain cost recovery deferrals approved in 2011 and 2012;
 - ii) an estimated \$1.25 million in Board and Consumer Advocate costs related to the Application;
 - iii) the outstanding year-end balance for 2011 in the Weather Normalization Reserve of approximately \$5.0 million due to customers; and
 - iv) a forecast 2013 revenue shortfall of an estimated \$980,000.