NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

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DELIVERED BY HAND

June 12, 2015

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 and Gentlemen:

Re: Application for July 1, 2015 Customer Rates

A. The Application

Please find enclosed the original and 12 copies of an Application (the "Application") of Newfoundland Power Inc. ("Newfoundland Power") for approval of a revised schedule of rates, tolls and charges to be effective July 1, 2015.

The Application proposes changes to the rates Newfoundland Power uses to bill its customers ("Customer Rates") that reflect:

1. an interim increase in the wholesale electricity rate charged by Newfoundland and Labrador Hydro ("Hydro") to Newfoundland Power Inc., and

2. the annual July 1st update of Newfoundland Power's rate stabilization and municipal tax adjustments.

In Order No. P.U. 14(2015), the Board, among other things, ordered that Hydro apply for an interim increase of 8% in the base rate of Newfoundland Power to be effective July 1st, 2015 (the "Hydro Interim Rate Order"). On May 27th, 2015, Hydro filed an application reflecting the Board's determinations in the Hydro Interim Rate Order (the "Interim Rate Compliance Application"). The Interim Rate Compliance Application was subsequently revised by Hydro and resubmitted on June 5th, 2015.

Proposed Rate Changes

Hydro's Interim Rate Increase

In accordance with the Hydro Interim Rate Order, the Interim Rate Compliance Application proposes approval, on an interim basis, of an 8% increase in the Utility base rate (the "Revised Utility Rate"). The Revised Utility Rate will increase Newfoundland Power's 2015 purchased power costs payable to Hydro. This increase in Newfoundland Power's costs is not currently included in electricity rates.

The Application therefore includes a proposal to modify Customer Rates to provide for recovery of the increased costs resulting from the Hydro Interim Rate Order.[1] The proposed rate changes related to the Hydro Interim Rate Order will result in an average ***increase*** of 4.74% in Customer Rates, effective July 1st, 2015.

RSA/MTA

In accordance with prior Orders of the Board, the Rate Stabilization Adjustment included in Newfoundland Power's rates is to be recalculated on July 1st of each year. The Rate Stabilization Adjustment reflects (i) the accumulated balance in Newfoundland Power's Rate Stabilization Account ("RSA") as of March 31st 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 Hydro's Rate Stabilization Plan ("RSP"). The RSA and RSP effectively smooth the rate impacts of year-over-year variations in certain costs, including fuel costs.

Newfoundland Power's rates include a municipal tax adjustment to reflect taxes paid by Newfoundland Power to municipalities. In accordance with prior Orders of the Board, the Municipal Tax Adjustment ("MTA") is to be recalculated on July 1st of each year to collect over the following 12-month period an amount to cover municipal taxes.

The rate changes proposed in the Application attributable to the annual update of the Rate Stabilization Adjustment and the MTA will result in an average ***decrease*** of 9.99% in Customer Rates, effective July 1st, 2015. The reduced RSA/MTA adjustment primarily reflects reduced Hydro fuel costs.

Government Policy Change Affecting Rates

On July 1st, 2015, the cost of electricity to residential customers in the Province, including the residential customers of Newfoundland Power, will also be affected by the elimination of the Provincial Residential Energy Rebate. As a result of this change, Newfoundland Power's residential customers will see an 8% increase in electricity costs. This represents the 8%

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[1] The Application also proposes a revision to the Rate Stabilization Clause included in Newfoundland Power's *Rates, Rules and Regulations* to true up any under-recovery or over-recovery of increased 2015 costs resulting from the proposed rate changes.

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provincial portion of the Harmonized Sales Tax which was effectively reinstated as a result of the elimination of the rebate.

B. Summary of Rate Impacts

Average Rate Change
Table 1 provides a summary of the average customer impacts of the rate changes proposed in the Application.

Table 1
Average Customer Rate Change (%)
July 1st, 2015

Hydro Interim Rate Increase	4.74
RSA/MTA	(9.99)
Average Rate Decrease	**(5.25)**

The overall impact of the rate changes proposed in the Application is an average ***decrease*** in Customer Rates of approximately 5.25%, effective July 1st, 2015. The impact of the rate changes will vary depending upon the class of service (i.e., residential or general service) and the usage patterns of particular customers.

Residential Electricity Cost Change
The overall impact of the *rate changes* proposed in the Application on Newfoundland Power's residential customers served on the Domestic rate is an average ***decrease*** of 4.90%, effective July 1st, 2015. The decrease is slightly smaller than the average customer decrease due to differences in cost allocation among Newfoundland Power's customer classes.[2]

In addition to the impact of the rate changes proposed in the Application, bills for Newfoundland Power's residential customers served on the Domestic rate will be subject to an additional 8% in tax, effective July 1st, 2015. This is the result of the elimination of the Provincial Residential Energy Rebate.

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2 This difference is primarily the effect of the RSA/MTA adjustment which is principally the result of lower Hydro fuel costs. These lower Hydro fuel costs result in lower *energy* costs to be allocated to Newfoundland Power's various classes of service. Newfoundland Power's Domestic class of service has a lower proportion of energy costs in its total allocated cost of service than the Company average.

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Table 2 provides a summary of the average impacts of the rate changes and tax changes on residential customer electricity bills, effective July 1st, 2015.

Table 2
Average Residential Customer Impact (%)
July 1st, 2015

Average Rate Change	(4.90)
Tax Increase	8.00
Average Cost Increase	**3.10**

The overall impact of the rate changes proposed in the Application and the elimination of the Provincial Residential Energy Rebate for Newfoundland Power's residential customers served on the Domestic rate will be an increase in average electricity costs of 3.1%, effective July 1st, 2015.

C. Concluding

In discussions with Board staff, it was determined that Newfoundland Power should submit this Application in advance of receiving the Board's order on the Interim Rate Compliance Application. This timing is intended to facilitate timely implementation of the rates proposed in this Application.

We trust that the foregoing and enclosed are found to be in order. If you have any questions, please feel free to contact the undersigned at your convenience.

Copies of this Application have been forwarded directly as indicated below.

Yours truly,

Gerard M. Hayes
Senior Counsel

c. Geoffrey Young
Newfoundland and Labrador Hydro

Thomas Johnson, QC
O'Dea Earle Law Offices

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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 an application
(the "Application") by Newfoundland Power Inc.
("Newfoundland Power") for an order pursuant to
Sections 70, 75, of the *Act* and Order No. P.U. 14(2015)
to:

(i) approve a revised schedule of rates, rules and regulations ("Customer Rates") to permit recovery of additional costs payable to Newfoundland and Labrador Hydro ("Hydro") for the supply of power as a result of a revised interim wholesale rate effective July 1, 2015;
(ii) approve a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1, 2015 to June 30, 2016; and
(iii) approve a revision to Newfoundland Power's Rate Stabilization Clause.

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 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 January 28, 2015, Hydro filed an application proposing, amongst other things, an increased wholesale rate for Newfoundland Power (the "2015 Interim Rates Application").

4. On May 8, 2015, following consideration of the 2015 Interim Rates Application, the Board, in Order No. P.U. 14(2015), amongst other things, ordered that Hydro file a revised Schedule of Rates, Tolls and Charges and RSP Rules, effective July 1, 2015, including an interim base rate increase of 8% for Newfoundland Power.

5. On June 5, 2015, in compliance with Order No. P.U. 14(2015), Hydro filed an application (the "Interim Rates Compliance Application") proposing, amongst other things, (i) an interim increase in the Utility base rate of 8% (the "Revised Utility Rate") and (ii) a change in the RSP rate to be charged by Hydro to Newfoundland Power in accordance with Hydro's letter to the Board dated April 21, 2015.

B. Flow-Through of Hydro's 8% Interim Utility Base Rate Increase

6. Approval by the Board of the Revised Utility Rate proposed in the Interim Rates Compliance Application will effectively increase the purchased power costs payable by Newfoundland Power to Hydro.

7. In this Application, Newfoundland Power proposes to revise its Customer Rates effective July 1, 2015 to reflect the increase in purchased power costs resulting from the Board's approval of the Revised Utility Rate.

8. Schedule 1 to this Application outlines the methodology used by Newfoundland Power to modify its 2015 Customer Rates to provide for recovery of the increased 2015 purchased power costs attributable to the Revised Utility Rate.

C. 2015 Rate Stabilization Adjustment

9. 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 RSP includes a component to reflect the difference between projected fuel prices and test year values (the "RSP Fuel Rider").

10. 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.

11. The Rate Stabilization Adjustment is to be recalculated on July 1st of each year to reflect (i) the accumulated balance in the RSA as of March 31st 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.

12. The current Rate Stabilization Clause and the Rate Stabilization Adjustment of 1.064¢/kWh included in Newfoundland Power's rates for the period July 1st, 2014 to June 30th, 2015 were approved by the Board in Order No. P.U. 21(2014).

13. The accumulated balance in the RSA as of March 31st, 2015 includes, amongst other things:

    (i) Disposition of the 2014 balance in the Demand Management Incentive Account and related income tax effects by means of a credit in the amount of $627,503 to

the RSA as of March 31st, 2015, approved in Order No. P.U.8(2015);

(ii) Disposition of the balance in the Optional Seasonal Rate Revenue and Cost Recovery Account as of December 31, 2014 by charging the balance of $96,270 to the RSA as of March 31st, 2015, approved in Order No. P.U.10(2015); and

(iii) Disposition of the amount of $46,339 accrued in the Weather Normalization Reserve in 2014 in accordance with Order Nos. P.U. 13(2013) and P.U. 11(2015).

14. Schedule 2 to the Application presents the calculation of the Rate Stabilization Adjustment of (0.105) ¢/kWh proposed to be used by Newfoundland Power in billing customers for the period July 1, 2015 to June 30, 2016.

D. 2015 Municipal Tax Adjustment

15. 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 1st of each year.

16. The MTA factor of 1.02370 included in Newfoundland Power's rates for the period July 1st, 2014 to June 30th, 2015 was approved by the Board in Order No. P.U. 21(2014).

17. Schedule 3 to the Application presents the calculation of the MTA factor of 1.02487 proposed to be used by Newfoundland Power in billing customers for the period July 1st, 2015 to June 30th, 2016.

E. Rates, Rules and Regulations

18. Schedule 4 to the Application presents the proposed Customer Rates to be applied to electricity consumption on and after July 1, 2015, incorporating:

(i) Revisions to reflect the increase in Newfoundland Power's purchased power costs payable to Hydro;

(ii) the Rate Stabilization Adjustment set out in Schedule 2, and

(iii) and the MTA factor set out in Schedule 3 to the Application.

19. To provide for recovery by Newfoundland Power of increased costs resulting from the Revised Utility Rate without further financial benefit or disadvantage, this Application proposes that there be a year-end adjustment to Newfoundland Power's Rate Stabilization Clause to true up any under-recovery or over-recovery of increased purchased power costs in 2015 resulting from the Revised Utility Rate.

20. Schedule 5 to the Application is a proposed Rate Stabilization Clause to be effective July 1st, 2015.

F. Reasons for Approval

21. Approval by the Board of: (i) the Rate Stabilization Adjustment, (ii) the MTA factor, (iii) the Customer Rates, and (iv) the revised Rate Stabilization Clause all as proposed in the Application will permit cost recovery 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.

G. Order Requested

22. Newfoundland Power requests that the Board approve:

(i) the Rate Stabilization Adjustment of (0.105) ¢/kWh and the MTA factor of 1.02487, as set out in Schedules 2 and 3 to the Application, to be applied to all bills based on electrical consumption on and after July 1, 2015;

(ii) pursuant to Section 70(1) of the Act, the schedule of rates, tolls and charges to be effective on all electrical consumption on and after July 1, 2015 as set out in Schedule 4 to the Application.; and

(iii) 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 5 to the Application.

H. Communications

23. Communication with respect to this Application should be forwarded to the attention of Liam P. O'Brien and Gerard M. Hayes, Counsel to Newfoundland Power.

DATED at St. John's, Newfoundland and Labrador this 12th day of June, 2015.

NEWFOUNDLAND POWER INC.

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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 an application
(the "Application") by Newfoundland Power Inc.
("Newfoundland Power") for an order pursuant to
Sections 70, 75, of the *Act* and Order No. P.U. 14(2015)
to:

(i) approve a revised schedule of rates, rules and regulations ("Customer Rates") to permit recovery of additional costs payable to Newfoundland and Labrador Hydro ("Hydro") for the supply of power as a result of a revised interim wholesale rate effective July 1, 2015;
(ii) approve a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1, 2015 to June 30, 2016; and
(iii) approve a revision to Newfoundland Power's Rate Stabilization Clause.

AFFIDAVIT

I, Lorne Henderson, of the City of St. John's in the Province of Newfoundland and Labrador, Professional Engineer, make oath and say as follows:

1. That I am the Director, Revenue and Supply of Newfoundland Power Inc.

2. To the best of my knowledge, information and belief, all matters, facts and things set out in this Application are true.

SWORN to before me at St. John's
in the Province of Newfoundland and Labrador
this 12th day of June, 2015,
before me:

Barrister

Lorne Henderson

IN THE MATTER OF the
Public Utilities Act, R.S.N.
1990, Chapter P-47 (the "*Act*"); and

IN THE MATTER OF an application
(the "Application") by Newfoundland Power Inc.
("Newfoundland Power") for an order pursuant to
Sections 70, 75, of the *Act* and Order No. P.U. 14(2015)
to:

(i) approve a revised schedule of rates, rules and regulations ("Customer Rates") to permit recovery of additional costs payable to Newfoundland and Labrador Hydro ("Hydro") for the supply of power as a result of a revised interim wholesale rate effective July 1, 2015;
(ii) approve a revised rate stabilization adjustment and municipal tax adjustment to apply to the rates of Newfoundland Power for the period July 1, 2015 to June 30, 2016; and
(iii) approve a revision to Newfoundland Power's Rate Stabilization Clause.

Proposed Changes to Customer Rates
July 1, 2015

NEWFOUNDLAND POWER
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Table of Contents

1.0 Overview

1.1 Purpose

On May 8, 2015, the Board of Commissioners of Public Utilities of Newfoundland and Labrador (the "Board") issued Order No. P.U. 14 (2015) ordering, amongst other things, that Newfoundland and Labrador Hydro ("Hydro") apply for an interim base rate increase of 8% for Newfoundland Power Inc. ("Newfoundland Power" or the "Company") effective July 1, 2015 (the "Interim Rates Order"). On May 27, 2015, Hydro submitted an application reflecting the Board's determinations in the Interim Rates Order (the "Interim Rates Compliance Application"), including an increase in the wholesale rate charged by Hydro to Newfoundland Power (the "Revised Utility Rate"). The Interim Rates Compliance Application was revised by Hydro and re-submitted to the Board on June 5, 2015.

Newfoundland Power's Application (the "Application") proposes a change in Newfoundland Power's electricity rates to "flow through" the increased purchased power costs to Newfoundland Power that will result from approval of the Revised Utility Rate. The Board has approved previous flow-through applications of Newfoundland Power in substantially similar circumstances.[1]

The Application also proposes changes to rates to reflect the annual July 1st rate adjustment incorporating: (i) an updated rate stabilization adjustment and (ii) an updated municipal tax adjustment factor (respectively, the "Rate Stabilization Adjustment" and the "MTA Factor").

This report outlines the methodology used by Newfoundland Power to modify rates, effective July 1, 2015, in accordance with these proposed changes. The report also provides information on the customer impacts of the Application proposals.

1.2 Current Customer Rates

The rates used in billing Newfoundland Power's customers ("Customer Rates") are derived by applying the Rate Stabilization Adjustment and the MTA Factor to base rates. The base rates ("Base Rates") are derived from Newfoundland Power's most recent test year revenue requirement.[2]

Newfoundland Power's current Base Rates are derived from the Company's 2014 test year revenue requirement, which was the basis for the Customer Rates approved by the Board in Order Nos. P.U. 23 (2013) and P.U. 21 (2014).

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 Hydro's base rates and a current forecast cost of No. 6 fuel. The recovery adjustment factor primarily reflects variances between test year and actual fuel costs as

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1 See, for example, Order Nos. P.U. 7 (1990), P.U. 22 (2002-2003), P.U. 19 (2004) (Amended), and P.U. 42 (2006).

2 The Rate Stabilization Adjustment and MTA Factor, which are updated annually, are not included in base rates because they are not revenue or expense items.

determined through Hydro's Rate Stabilization Plan ("RSP"), with any variance being credited to (or recovered from) customers, as the case may be.

The current Customer Rates reflect a Rate Stabilization Adjustment of 1.064¢ per kWh, based on a fuel rider adjustment of 1.508¢ per kWh and a recovery adjustment factor of (0.444)¢ per kWh.

Municipal taxes are not included as an expense in the determination of Newfoundland Power's 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 current Customer Rates reflect an MTA Factor of 1.02370.

1.3 Summary of Proposed Rate Changes

The July 1, 2015 changes in Customer Rates proposed in the Application reflect the net effect of:

1. an average rate ***increase*** of 4.74% resulting from the Revised Utility Rate, and
2. an average rate ***decrease*** of 9.99% resulting from the annual July 1st update of the Rate Stabilization Adjustment and the MTA Factor.[3]

The overall rate impact of these proposed changes is an average ***decrease*** in Customer Rates of approximately 5.25%, effective July 1, 2015.[4]

Table 1 shows a reconciliation of existing customer billings to proposed customer billings.

Table 1
Reconciliation of Customer Billings
($000s)

	Existing[5]	**Purchased Power Costs**	**RSA/MTA**	**Proposed**
Revenue from Rates	$612,140	$31,937	-	$644,077
RSA	61,930	-	(68,042)	(6,112)
MTA	15,895	757	(906)	15,746
Customer Billings	$689,965	$32,694	($68,948)	$653,711
Change from Existing		$32,694	($68,948)	**($36,254)**
Change from Existing (%)		**4.74%**	**(9.99%)**	**(5.25%)**

[3] A change in the Base Rates of Newfoundland Power for a change in the wholesale power rate is similar to the 2007 Flow-through Application approved by the Board in Order No. P.U. 42 (2006).

[4] 4.74% + (9.99%) = (5.25%).

[5] Rates effective July 1, 2014, as approved in Order No. P.U. 21 (2014).

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

2.0 Hydro's Interim Rate Change

2.1 General

As a result of the Revised Utility Rate, Newfoundland Power's purchased power costs will increase. In order to provide for recovery by Newfoundland Power of the additional purchased power costs, the Application proposes to "flow through" those costs by means of a change in the current Base Rates of Newfoundland Power, effective July 1, 2015.

2.2 Change in Base Rates

To determine how the increased purchased power costs should be reflected in the Company's Base Rates, the demand and energy components of the Revised Utility Rate are applied to Newfoundland Power's energy and peak demand forecast to determine a revised 2014 test year revenue requirement.

Table 2 summarizes the increase in 2014 test year purchased power costs resulting from the Revised Utility Rate.

Table 2
Increase in 2014 Test Year Purchased Power Costs
($000s)

	Existing	**Proposed**	**Increase**
Purchased Power Costs	$399,198	$431,135	$31,937

Approval of the Revised Utility Rate will result in an increase of $31,937,000 in the purchased power costs included in the Company's 2014 test year revenue requirement. Appendix B to this report provides the calculation of the increase in the 2014 test year purchased power costs resulting from the Revised Utility Rate.

Appendix C to this report provides details of the proposed changes to Newfoundland Power's current Base Rates that will provide the additional revenue necessary to recover the increased purchased power costs resulting from the Revised Utility Rate.

2.3 Change in Customer Rates to Reflect Hydro's Interim Rate Increase

Appendix D shows the changes to current customer billings resulting from the increased purchased power costs that will result from approval of the Revised Utility Rate.

Collection of the additional revenue requirement associated with the increased purchased power costs will increase the municipal taxes to be paid. The effect of higher municipal taxes is to

increase customer billings by approximately $757,000.[6] The increase in purchased power costs, including the municipal tax effects, totals $32,694,000. The overall result of the Revised Utility Rate will be an increase in Customer Rates of 4.74%.

Table 3 provides the percentage increase in customer billings resulting from approval of the Revised Utility Rate.

Table 3
Reconciliation of Customer Billings
Increased Purchased Power Costs
($000s)

	Existing	Purchased Power Costs	Proposed
Revenue from Rates	$612,140	$31,937 [7]	$644,077
RSA	61,930	-	61,930
MTA	15,895	757	16,652
Customer Billings	$689,965	$32,694	$722,659
Change from Existing			**$32,694**
Change from Existing (%)			**4.74%**

Newfoundland Power proposes that an equal percentage change in customer billings be applied to each class of service with the exception of Street and Area Lighting rates. Street and Area Lighting rates are proposed to change by approximately 30% of the increase applied to other classes.[8] For the other classes, the percentage increase is applied equally to each of the demand and energy components to achieve the appropriate increase in revenue by class of service.[9] This approach is consistent with previous Board approvals.[10]

Appendix E to this report provides the average customer impacts by rate class of the rate changes resulting from the Revised Utility Rate.

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6 Additional revenue requirement from base rates of $31,937,000 multiplied by the current MTA Factor of 2.370% equals $756,907, or approximately $757,000.

7 See Table 2.

8 Based upon the cost of service study underpinning current base rates, purchased power costs comprise approximately 65% of Newfoundland Power's overall cost of providing electrical service, but only approximately 20% of the cost of providing Street and Area Lighting Service.

9 No increase to basic customer charges is proposed, since an increase in purchased power costs does not impact the customer-related costs underlying the basic customer charges. Similarly, because the cost of providing poles and underground wiring for Street and Area Lighting Service is not affected by the increase in purchased power costs, rates for poles and underground wiring are not proposed to be changed.

10 See Order Nos. P.U. 19 (2004) (Amended) and P.U. 21 (2006).

3.0 Rate Stabilization Adjustment and MTA Factor Change

3.1 General

The Application seeks approval of the annual July 1st update to the Rate Stabilization Adjustment and the MTA Factor. The calculations of the Rate Stabilization Adjustment and the MTA Factor are provided in Schedules 2 and 3, respectively, to the Application.

3.2 Rate Stabilization Adjustment

The Rate Stabilization Adjustment is to be recalculated on July 1st 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 Rate Stabilization Account ("RSA") as of March 31st of the current year.

As a result of the operation of the RSP, the RSP adjustment charged by Hydro decreased by 1.158¢ per kWh, from 0.975¢ per kWh to (0.183)¢ per kWh.[11] This includes a decrease of 0.164¢ per kWh due to the balance in Hydro's RSP as of March 31st, 2015 and a decrease of 0.994¢ per kWh due to the change in the fuel rider.

The 1.158¢ per kWh decrease in the Hydro RSP adjustment translates to a 1.169¢ 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 31st, 2015 relative to the previous year.[12] The balance in the RSA decreased from $5.9 million owing from customers as of March 31st, 2014 to $4.6 million owing from customers as of March 31st, 2015.[13]

Table 4 provides the calculation of the revised Rate Stabilization Adjustment reflecting Newfoundland Power's fuel rider adjustment and recovery adjustment factor.

Table 4
Rate Stabilization Adjustment Changes

	Existing	Adjustment	Proposed
Fuel Rider Adjustment	1.508¢ per kWh	-0.980¢ per kWh	0.528¢ per kWh
Recovery Adjustment Factor	-0.444¢ per kWh	-0.189¢ per kWh	-0.633¢ per kWh
Rate Stabilization Adjustment	1.064¢ per kWh	-1.169¢ per kWh	-0.105¢ per kWh

[11] On April 21, 2015, Hydro filed with the Board, an update to the RSP adjustment charged by Hydro to Newfoundland Power resulting from the operation of the RSP.

[12] 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.

[13] The $1.3 million decrease in the RSA balance corresponds to a -0.025¢ per kWh difference between the Hydro RSP adjustment and the proposed Rate Stabilization Adjustment.

The Application proposes a Rate Stabilization Adjustment of (0.105)¢ per kWh, to be effective July 1, 2015.

3.3 Municipal Tax Adjustment Factor

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 1st of each year to reflect taxes charged to Newfoundland Power by municipalities.

Customer Rates currently reflect an MTA Factor of 1.02370. The Application proposes an MTA Factor of 1.02487, to be effective July 1, 2015.

3.4 Change in Customer Rates to Reflect the RSA/MTA Rate Change

Table 5 shows a reconciliation of existing customer billings to proposed customer billings to reflect the RSA/MTA rate change.

Table 5
Reconciliation of Customer Billings
RSA/MTA Rate Change
($000s)

	Existing	**Change**	**Proposed**
Revenue from Rates	$612,140	-	$612,140
RSA	61,930	(68,042)	(6,112)
MTA	15,895	(906)	14,989
Customer Billings	$689,965	($68,948)	$621,017
Change from Existing			**($68,948)**
Change from Existing (%)			**(9.99%)**

The impact on Customer Rates resulting from the change in the Rate Stabilization Adjustment and the MTA Factor is an average decrease of 9.99%. Individual customer impacts will vary depending on usage.[14]

Appendix F provides the average customer impacts by rate class for the RSA/MTA rate change.

[14] The impact of the decrease in the Rate Stabilization Adjustment effective July 1, 2015 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.

4.0 Proposed Rates

Appendix G to this report shows the conversion of the proposed Base Rates that reflect the Revised Utility Rate to Customer Rates.[15] The proposed Customer Rates include the proposed Rate Stabilization Adjustment of (0.105)¢ per kWh and the proposed MTA Factor of 1.02487.

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).[16] 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 H to this report provides a summary of existing and proposed Customer Rates.

5.0 Amendments to the Rules and Regulations

Schedule 5 to the Application provides a proposed revision to the current Rate Stabilization Clause, effective July 1, 2015.

In Order No. P.U. 21 (2006), the Board approved an amendment to Newfoundland Power's Rate Stabilization Clause to allow any under-recovery or over-recovery of increased purchased power costs in 2007 resulting from the 2006 Hydro general rate application order to be debited or credited, as appropriate, to the RSA. This detailed true-up provision is included in the Rate Stabilization Clause as paragraph II. 4.

The Application proposes that paragraph II. 4 of the Rate Stabilization Clause be revised to reflect the dates of the current proceedings, so that any required true-up operates as of December 31, 2015.

[15] The current Base Rates reflect the 2014 test year revenue requirement.

[16] In Order No. P.U. 23 (2013), the Board ordered Newfoundland Power to "make application to implement amendments to the Maximum Monthly Charge in Rate 2.2, 2.3 and 2.4 approved in Order No. P.U. 13 (2013) after Newfoundland and Labrador Hydro has applied for a change in it base rate to Newfoundland Power." The Company will make that application following approval by the Board of final changes to Hydro's base rate to Newfoundland Power upon conclusion of Hydro's GRA.

Newfoundland Power Inc.

Average Customer Impacts - Aggregate
($000s)

Category	Revenue Under Existing Rates (A)[1]	Proposals: Purchased Power Costs (B)[2]	Proposals: RSA/MTA (C)[3]	Revenue Under Proposed Rates (D)[4]	Change (E)[5]	Average Impacts (F)[6]
1.1 Domestic	430,189	20,843	(41,853)	409,179	(21,010)	-4.88%
1.1S Domestic Seasonal	2,709	131	(256)	2,584	(125)	-4.61%
Total Domestic	432,898	20,974	(42,109)	411,763	(21,135)	-4.88%
2.1 General Service 0-100 kW (110 kVA)	92,679	4,491	(9,332)	87,838	(4,841)	-5.22%
2.3 General Service 110-1000 kVA	99,942	4,843	(11,259)	93,526	(6,416)	-6.42%
2.4 General Service over 1000 kVA	45,319	2,198	(5,893)	41,624	(3,695)	-8.15%
Total General Service	237,940	11,532	(26,484)	222,988	(14,952)	-6.28%
4.1 Street and Area Lighting	15,771	230	(355)	15,646	(125)	-0.79%
Forfeited Discounts	3,356	(42)[7]	-	3,314	(42)	
Total	689,965	32,694	(68,948)	653,711	(36,254)	-5.25%

[1] Column A is the 2015 forecast revenue under existing rates effective July 1, 2014, based on 2014 test year revenue requirement billing determinants, which were approved in P.U. 23 (2013).

[2] Column B is the 2015 forecast change in revenue as a result of the flow-through of Hydro's 8% interim Utility base rate increase, effective July 1, 2015.

[3] Column C is the 2015 forecast change in revenue as a result of the annual July 1st RSA/MTA update, effective July 1, 2015.

[4] Column D is the 2015 forecast revenue under the proposed Customer Rates effective July 1, 2015 (Column A + Column B + Column C).

[5] Column E is the difference between forecast revenue under proposed and existing Customer Rates (Column D - Column A).

[6] Column F is the forecast rate change as a result of the proposals (Column E / Column A).

[7] The change in Forfeited Discounts reflects changes from the Company's 2014 Test Year revenue requirement, which at the time included the RSA and the MTA Factor effective July 1, 2012. The small decrease is a result of lower RSA revenue based upon rates effective July 1, 2014 mostly offset by higher revenue due to the flow-through of Hydro's interim rate increase.

Newfoundland Power Inc.

Revised 2014 Test Year Purchased Power Costs
Adjusted for the flow-through of Hydro's interim rate increase
($000s)

	2014 Test Year Forecast[1]					
	Normalized Purchased Energy (GWh)	Billed Demand (MW)	Demand - Energy Rate			
			Demand Charge	1st Block	2nd Block	Total
Revised 2014 Test Year[2] **(A)**	5,753.200	1,237.48	64,152	105,180	261,803	431,135
2014 Test Year[3] **(B)**	5,753.200	1,237.48	59,400	97,380	242,418	399,198
Change (C) = (A) - (B)	**-**	**-**	**4,752**	**7,800**	**19,385**	**31,937**
Change (%) (D) = (C) / (B)			**8.0%**	**8.0%**	**8.0%**	**8.0%**

[1] Approved in Order No. P.U. 23 (2013).

[2] Based upon Hydro's interim Utility base rate, effective July 1, 2015:

Demand	4.32 kW
1st Block	35.06 mills
2nd Block	95.09 mills

[3] Based upon Hydro's Utility base rate, effective January 1, 2007:

Demand	4.00 kW
1st Block	32.46 mills
2nd Block	88.05 mills

Newfoundland Power Inc.

Conversion of Existing Base Rates to Proposed Base Rates

Rate Class	Existing Base Rates (A)	Hydro Flow-Through (B)	Proposed Base Rates (C) = (A) + (B)
Rate #1.1: Domestic Service			
Basic Customer Charge (B.C.C.)			
Not Exceeding 200 Amp Service	$15.32	-	$15.32
Exceeding 200 Amp Service	$20.21	-	$20.21
Energy Charge - All kilowatt hours (¢/kWh)	9.839	0.584	10.423
Minimum Monthly Charge			
Not Exceeding 200 Amp Service	$15.32	-	$15.32
Exceeding 200 Amp Service	$20.21	-	$20.21
Rate #1.1S: Domestic Seasonal - Optional			
Basic Customer Charge (B.C.C.)			
Not Exceeding 200 Amp Service	$15.32	-	$15.32
Exceeding 200 Amp Service	$20.21	-	$20.21
Energy Charge (¢/kWh)			
Winter Seasonal	10.770	0.584	11.354
Non-Winter Seasonal	8.572	0.584	9.156
Minimum Monthly Charge			
Not Exceeding 200 Amp Service	$15.32	-	$15.32
Exceeding 200 Amp Service	$20.21	-	$20.21
Rate #2.1: General Service 0-100 kW			
Basic Customer Charge (B.C.C.)	$21.40		$21.40
Demand Charge (per kW)			
Winter	$8.48	$0.40	$8.88
Other	$6.04	$0.40	$6.44

Rate Class	Existing Base Rates (A)	Hydro Flow-Through (B)	Proposed Base Rates (C) = (A) + (B)
Energy Charge (¢/kWh)			
First 3,500 kWh	9.822	0.563	10.385
All Excess kWh	7.291	0.418	7.709
Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	0.992	18.319 + B.C.C.
Minimum Monthly Charge			
Single Phase	$21.40	-	$21.40
Three Phase	$35.16	-	$35.16
Rate #2.3: General Service 110-1000 kVA			
Basic Customer Charge (B.C.C.)	$48.86	-	$48.86
Demand Charge (per kVA)			
Winter	$7.36	$0.31	$7.67
Other	$4.92	$0.31	$5.23
Energy Charge (¢/kWh)			
First 150 kWh/kVA of billing demand (max. 50,000 kWh)	8.573	0.467	9.040
All Excess kWh	6.843	0.373	7.216
Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	0.992	18.319 + B.C.C.
Minimum Monthly Charge	$48.86	-	$48.86
Rate #2.4: General Service 1000 kVA and Over			
Basic Customer Charge (B.C.C.)	$83.06	-	$83.06
Demand Charge (per kVA)			
Winter	$6.96	$0.27	$7.23
Other	$4.51	$0.28	$4.79
Energy Charge (¢/kWh)			
First 75,000 kWh	8.062	0.441	8.503
All Excess kWh	6.615	0.362	6.977

Rate Class	Existing Base Rates (A)	Hydro Flow-Through (B)	Proposed Base Rates (C) = (A) + (B)
Maximum Energy Charge (¢/kWh)	17.327 + B.C.C.	0.992	18.319 + B.C.C.
Minimum Monthly Charge	$83.06	-	$83.06
Rate #4.1: Street and Area Lighting Service			
High Pressure Sodium			
HPS 100 W Sentinel/Standard	$16.12	$0.29	$16.41
HPS 100 W Post Top	$17.49	$0.31	$17.80
HPS 150 W Sentinel/Standard	$20.32	$0.36	$20.68
HPS 250 W Sentinel/Standard	$28.76	$0.51	$29.27
HPS 400 W Sentinel/Standard	$39.64	$0.70	$40.34
Mercury Vapour			
MV 175 W Sentinel/Standard	$16.12	$0.29	$16.41
MV 175 W Post Top	$17.49	$0.31	$17.80
MV 250 W Sentinel/Standard	$20.32	$0.36	$20.68
MV 400 W Sentinel/Standard	$28.76	$0.51	$29.27
Poles			
Wood	$7.06	-	$7.06
30’ Concrete or Metal	$10.21	-	$10.21
45’ Concrete or Metal	$14.38	-	$14.38
25’ Concrete or Metal, Post Top	$7.80	-	$7.80
Underground Wiring (per run)			
All sizes and types of fixtures	$12.49	-	$12.49

Newfoundland Power Inc.

Revised 2014 Test Year Revenue Requirement and Current RSA/MTA

Adjusted for the flow-through of Hydro's interim rate increase

($000s)

	2014 Test Year	Change	2015 Revised
Return on Rate Base	75,235	-	75,235
Other Costs			
Power Supply Cost	399,198	31,937 [1]	431,135
Operating Costs	55,406	-	55,406
Employee Future Benefit Costs	22,058	-	22,058
Amortization of Deferred Cost Recoveries	3,990	-	3,990
Depreciation	48,291	-	48,291
Income Taxes	16,056	-	16,056
	544,999	31,937	576,936
2014 Revenue Requirement	620,234	31,937	652,171
Deductions			
Other Revenue	(5,247)	-	(5,247)
Interest on Security Deposits	12	-	12
Amortization of the Weather Normalization Reserve	(2,335)	-	(2,335)
Transfers to the RSA	(524)	-	(524)
	(8,094)	-	(8,094)
2014 Revenue Requirement from Base Rates	612,140 [2]	31,937	644,077
RSA	61,930 [3]	-	61,930
MTA	15,895 [3]	757 [4]	16,652
Total	689,965	32,694	722,659

[1] See Appendix B.

[2] Approved in Order No. P.U. 23 (2013) and for continued use in Order No. P.U. 21 (2014).

[3] Based on RSA/MTA rates effective July 1, 2014, approved in Order No. P.U. 21 (2014).

[4] The additional revenue requirement from base rates will result in higher municipal taxes to be paid. Additional revenue requirement from base rates of $31,937,000 multiplied by the current MTA Factor of 2.370% equals $756,907.

Newfoundland Power Inc.

Average Customer Impacts - Hydro's Interim Rate Increase
($000s)

Category	Revenue Under Existing Rates (A)[1]	Purchased Power Costs (B)[2]	Revenue Including Hydro Flow-Through (C)[3]	Average Impacts (D)[4]
1.1 Domestic	430,189	20,843	451,032	4.85%
1.1S Domestic Seasonal	2,709	131	2,840	4.84%
Total Domestic	432,898	20,974	453,872	4.85%
2.1 General Service 0-100 kW (110 kVA)	92,679	4,491	97,170	4.85%
2.3 General Service 110-1000 kVA	99,942	4,843	104,785	4.85%
2.4 General Service over 1000 kVA	45,319	2,198	47,517	4.85%
Total General Service	237,940	11,532	249,472	4.85%
4.1 Street and Area Lighting	15,771	230	16,001	1.46%
Forfeited Discounts	3,356	(42)	3,314	
Total	689,965	32,694	722,659	4.74%

[1] Column A is the 2015 forecast customer billings under existing rates effective July 1, 2014, based on 2014 test year revenue requirement billing determinants, which were approved in Order No. P.U. 23 (2013).

[2] Column B is the 2015 forecast change in revenue as a result of the flow-through of Hydro's 8% interim Utility base rate increase, effective July 1, 2015.

[3] Column C = Column A + Column B.

[4] Column D is the forecast rate change as a result of the flow-through of Hydro's interim rate increase (Column B / Column A).

Newfoundland Power Inc.

Average Billing Impacts - RSA/MTA Rate Change
($000s)

Category	Revenue Under Existing Rates (A)[1]	Change (B)[2]	Revenue Including RSA/MTA Change (C)[3]	Average Impacts (D)[4]
1.1 Domestic	430,189	(41,853)	388,336	-9.73%
1.1S Domestic Seasonal	2,709	(256)	2,453	-9.45%
Total Domestic	432,898	(42,109)	390,789	-9.73%
2.1 General Service 0-100 kW (110 kVA)	92,679	(9,332)	83,347	-10.07%
2.3 General Service 110-1000 kVA	99,942	(11,259)	88,683	-11.27%
2.4 General Service over 1000 kVA	45,319	(5,893)	39,426	-13.00%
Total General Service	237,940	(26,484)	211,456	-11.13%
4.1 Street and Area Lighting	15,771	(355)	15,416	-2.25%
Forfeited Discounts	3,356	-	3,356	
Total	689,965	(68,948)	621,017	-9.99%

[1] Column A is the 2015 forecast customer billings under existing rates effective July 1, 2014, based on 2014 test year revenue requirement billing determinants, which were approved in Order No. P.U. 23 (2013).

[2] Column B is the 2015 forecast change in revenue as a result of the annual July 1st RSA/MTA update, effective July 1, 2015.

[3] Column C = Column A + Column B.

[4] Column D is the forecast rate change as a result of the change in RSA/MTA effective July 1, 2015 (Column B / Column A).

Newfoundland Power Inc.

Conversion of Base Rates to Customer Rates[1]

Rate Class	Base Rate	Calculation	Customer Rate
A	B	C	D
Rate #1.1: Domestic Service			
Basic Customer Charge (B.C.C.)			
Not Exceeding 200 Amp Service	$15.32	$15.32 x (1 - 0.015) x 1.02487 x [1 / (1 - 0.015)]	$15.70
Exceeding 200 Amp Service	$20.21	Final B.C.C. plus $5	$20.70
Energy Charge - All kilowatt hours (¢/kWh)	10.423	[10.423 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	10.573
Minimum Monthly Charge			
Not Exceeding 200 Amp Service	$15.32	Same as B.C.C.	$15.70
Exceeding 200 Amp Service	$20.21	Final B.C.C. plus $5	$20.70
Rate #1.1S: Domestic Seasonal - Optional			
Basic Customer Charge (B.C.C.)			
Not Exceeding 200 Amp Service	$15.32	Same as Rate 1.1 B.C.C	$15.70
Exceeding 200 Amp Service	$20.21	Same as Rate 1.1 B.C.C plus $5	$20.70
Energy Charge (¢/kWh)			
Winter Seasonal	11.354	Same as Rate 1.1 Customer Energy Charge + 0.953	11.526
Non-Winter Seasonal	9.156	Same as Rate 1.1 Customer Energy Charge - 1.297	9.276
Minimum Monthly Charge			
Not Exceeding 200 Amp Service	$15.32	Same as B.C.C.	$15.70
Exceeding 200 Amp Service	$20.21	Final B.C.C. plus $5	$20.70
Rate #2.1: General Service 0-100 kW			
Basic Customer Charge (B.C.C.)	$21.40	$21.40 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$21.93
Demand Charge (per kW)			
Winter	$8.88	Other Demand Charge plus $2.50	$9.10
Other	$6.44	$6.44 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$6.60
Energy Charge (¢/kWh)			
First 3,500 kWh	10.385	[10.385 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	10.534
All Excess kWh	7.709	[7.709 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	7.791
Maximum Energy Charge (¢/kWh)[2]	18.319 + B.C.C.	18.319 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	18.775 + B.C.C.
Minimum Monthly Charge			
Single Phase	$21.40	Same as B.C.C.	$21.93
Three Phase	$35.16	$35.16 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$36.03

[1] Customer Rates calculated based upon proposed RSA and the MTA Factor effective July 1, 2015.

[2] RSA rate does not apply to the Maximum Monthly Charge.

Newfoundland Power Inc.

Conversion of Base Rates to Customer Rates[1]

Rate Class	Base Rate	Calculation	Customer Rate
A	B	C	D
Rate #2.3: General Service 110-1000 kVA			
Basic Customer Charge (B.C.C.)	$48.86	$48.86 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$50.08
Demand Charge (per kVA)			
Winter	$7.67	Other Demand Charge plus $2.50	$7.86
Other	$5.23	$5.23 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$5.36
Energy Charge (¢/kWh)			
First 150 kWh/kVA of billing demand (max. 50,000 kWh)	9.040	[9.040 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	9.156
All Excess kWh	7.216	[7.216 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	7.286
Maximum Energy Charge (¢/kWh)[2]	18.319 + B.C.C.	18.319 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	18.775 + B.C.C.
Minimum Monthly Charge	$48.86	Same as B.C.C.	$50.08
Rate #2.4: General Service 1000 kVA and Over			
Basic Customer Charge (B.C.C.)	$83.06	$83.06 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$85.13
Demand Charge (per kVA)			
Winter	$7.23	Other Demand Charge plus $2.50	$7.41
Other	$4.79	$4.79 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	$4.91
Energy Charge (¢/kWh)			
First 75,000 kWh	8.503	[8.503 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	8.605
All Excess kWh	6.977	[6.977 x (1 – 0.015) - 0.105] x 1.02487 x [1 / (1 – 0.015)]	7.041
Maximum Energy Charge (¢/kWh)[2]	18.319 + B.C.C.	18.319 x (1 – 0.015) x 1.02487 x [1 / (1 – 0.015)]	18.775 + B.C.C.
Minimum Monthly Charge	$83.06	Same as B.C.C.	$85.13

[1] Customer Rates calculated based upon proposed RSA and the MTA Factor effective July 1, 2015.

[2] RSA rate does not apply to the Maximum Monthly Charge.

Newfoundland Power Inc.

Conversion of Base Rates to Customer Rates[1]

Rate Class	Base Rate	Monthly kWh	Calculation	Final Rate
A	**B**	**C**	**D**	**E**
Rate #4.1: Street and Area Lighting Service[2]				
High Pressure Sodium				
HPS 100 W Sentinel/Standard	$16.41	38	[16.41 + (38 x - 0.105 ¢/kWh)] x 1.02487	$16.78
HPS 100 W Post Top	$17.80	38	[17.80 + (38 x - 0.105 ¢/kWh)] x 1.02487	$18.20
HPS 150 W Sentinel/Standard	$20.68	60	[20.68 + (60 x - 0.105 ¢/kWh)] x 1.02487	$21.13
HPS 250 W Sentinel/Standard	$29.27	105	[29.27 + (105 x - 0.105 ¢/kWh)] x 1.02487	$29.88
HPS 400 W Sentinel/Standard	$40.34	163	[40.34 + (163 x - 0.105 ¢/kWh)] x 1.02487	$41.17
Mercury Vapour				
MV 175 W Sentinel/Standard	$16.41	38	[16.41 + (38 x - 0.105 ¢/kWh)] x 1.02487	$16.78
MV 175 W Post Top	$17.80	38	[17.80 + (38 x - 0.105 ¢/kWh)] x 1.02487	$18.20
MV 250 W Sentinel/Standard	$20.68	60	[20.68 + (60 x - 0.105 ¢/kWh)] x 1.02487	$21.13
MV 400 W Sentinel/Standard	$29.27	105	[29.27 + (105 x - 0.105 ¢/kWh)] x 1.02487	$29.88
Poles				
Wood	$7.06		7.06 x 1.02487	$7.24
30’ Concrete or Metal	$10.21		10.21 x 1.02487	$10.46
45’ Concrete or Metal	$14.38		14.38 x 1.02487	$14.74
25’ Concrete or Metal, Post Top	$7.80		7.80 x 1.02487	$7.99
Underground Wiring (per run)				
All sizes and types of fixtures	$12.49		12.49 x 1.02487	$12.80

[1] Customer Rates calculated based upon proposed RSA and the MTA Factor effective July 1, 2015.

[2] Early payment discount does not apply to Street and Area Lighting rates.

NEWFOUNDLAND POWER INC.

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

	July 1, 2014 Existing Rates	July 1, 2015 Proposed Rates
Domestic - Rate #1.1		
Basic Customer Charge		
Not Exceeding 200 Amp Service	$15.68/month	$15.70/month
Exceeding 200 Amp Service	$20.68/month	$20.70/month
Energy Charge - All kilowatt hours	11.178 ¢/kWh	10.573 ¢/kWh
Minimum Monthly Charge		
Not Exceeding 200 Amp Service	$15.68/month	$15.70/month
Exceeding 200 Amp Service	$20.68/month	$20.70/month
Prompt Payment Discount	1.5%	1.5%
Domestic - Rate #1.1S		
Basic Customer Charge		
Not Exceeding 200 Amp Service	$15.68/month	$15.70/month
Exceeding 200 Amp Service	$20.68/month	$20.70/month
Energy Charge		
Winter Seasonal	12.131 ¢/kWh	11.526 ¢/kWh
Non-Winter Seasonal	9.881 ¢/kWh	9.276 ¢/kWh
Minimum Monthly Charge		
Not Exceeding 200 Amp Service	$15.68/month	$15.70/month
Exceeding 200 Amp Service	$20.68/month	$20.70/month
Prompt Payment Discount	1.5%	1.5%

NEWFOUNDLAND POWER INC.

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

	July 1, 2014 Existing Rates	July 1, 2015 Proposed Rates
G.S. 0-100 kW (110 kVA) - Rate #2.1		
Basic Customer Charge	$21.91/month	$21.93/month
Demand Charge Regular	$8.68/kW - winter $6.18/kW - other	$9.10/kW - winter $6.60/kW - other
Energy Charge		
First 3,500 kilowatt-hours	11.161 ¢/kWh	10.534 ¢/kWh
All excess kilowatt-hours	8.570 ¢/kWh	7.791 ¢/kWh
Maximum Monthly Charge	17.738 ¢/kWh + B.C.C.	18.775 ¢/kWh + B.C.C.
Minimum Monthly Charge		
Single Phase	$21.91/month	$21.93/month
Three Phase	$35.99/month	$36.03/month
Prompt Payment Discount	1.5%	1.5%
G.S. 110-1000 kVA - Rate #2.3		
Basic Customer Charge	$50.02/month	$50.08/month
Demand Charge	$7.54/kVA-winter $5.04/kVA-other	$7.86/kVA-winter $5.36/kVA-other
Energy Charge		
First 150 kWh per kVA of demand (max. 50,000)	9.882 ¢/kWh	9.156 ¢/kWh
All Excess kWh	8.111 ¢/kWh	7.286 ¢/kWh
Maximum Monthly Charge	17.738 ¢/kWh + B.C.C.	18.775 ¢/kWh + B.C.C.
Minimum Monthly Charge	$50.02/month	$50.08/month
Prompt Payment Discount	1.5%	1.5%

NEWFOUNDLAND POWER INC.

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

	July 1, 2014 Existing Rates	July 1, 2015 Proposed Rates
G.S. 1000 kVA and Over - Rate #2.4		
Basic Customer Charge	$85.03/month	$85.13/month
Demand Charge	$7.12/kVA-winter $4.62/kVA-other	$7.41/kVA-winter $4.91/kVA-other
Energy Charge		
First 75,000 kWh	9.359 ¢/kWh	8.605 ¢/kWh
All Excess kWh	7.878 ¢/kWh	7.041 ¢/kWh
Maximum Monthly Charge	17.738 ¢/kWh + B.C.C.	18.775 ¢/kWh + B.C.C.
Minimum Monthly Charge	$85.03/month	$85.13/month
Prompt Payment Discount	1.5%	1.5%

NEWFOUNDLAND POWER INC.

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

Street and Area Lighting Rates

		July 1, 2014 Existing Rates	July 1, 2015 Proposed Rates
Fixtures			
Sentinel/Standard			
High Pressure Sodium	100W	$16.92	$16.78
	150W	21.46	21.13
	250W	30.59	29.88
	400W	42.35	41.17
Mercury Vapour	175W	$16.92	$16.78
	250W	21.46	21.13
	400W	30.59	29.88
Post Top			
High Pressure Sodium	100W	$18.32	$18.20
Mercury Vapour	175W	$18.32	$18.20
Poles			
Wood		$7.23	$7.24
30' Concrete or Metal, direct buried		10.45	10.46
45' Concrete or Metal, direct buried		14.72	14.74
25' Concrete or Metal, Post Top, direct buried		7.98	7.99
Underground Wiring (per run)			
All sizes and types of fixtures		$12.79	$12.80

Calculation of the Rate Stabilization Adjustment effective July 1, 2015

That in accordance with the Rate Stabilization Clause, the Rate Stabilization Adjustment to be effective July 1, 2015 is calculated:

(i) by removing the previous Rate Stabilization Adjustment of 1.064 cents/kWh; and

(ii) by calculating the new adjustment as follows:

Recovery Adjustment Factor:

B	=	Amount owed to Hydro:	(7.15)	mills/kWh ×	5,898,943,058	=	$	(42,177,443)
C	=	Balance in the Applicant's RSA at March 31, 2015				=	$	4,550,113
D	=	Total Energy Sales by the Applicant from April 1, 2014 to March 31, 2015				=		5,947,621,000 kWh

$$\textit{Recovery Adjustment Factor} = \frac{B + C}{D}$$

$$= \frac{\$(42,177,443) + \$4,550,113}{5,947,621,000}$$

$$= (0.00633)\ \$/kWh \text{ or}$$

$$(0.633)\ cents/kWh$$

Fuel Rider Adjustment Factor:

D	=	Corresponds to D above	=	5,947,621,000	kWh	
E	=	Total Energy Sales to the Company by Hydro from April 1, 2014 to March 31, 2015	=	5,898,943,058	kWh	
F	=	The Fuel Rider charged to Newfoundland Power through Hydro's RSP	=	0.532	cents/kWh	

$$\textit{Fuel Rider Adjustment Factor} = \frac{E}{D} \times F$$

$$= \frac{5,898,943,058}{5,947,621,000} \times 0.532$$

$$= 0.528\ cents/kWh$$

Total Rate Stabilization Adjustment = *Recovery Adjustment Factor* + *Fuel Rider Adjustment Factor*

= (0.633) cents/kWh + 0.528 cents/kWh

Rate Stabilization Adjustment = (0.105) cents/kWh

Calculation of the Municipal Tax Adjustment Factor for the period July 1, 2015 to June 30, 2016

That in accordance with the Municipal Tax Clause, the Municipal Tax Adjustment factor for the period July 1, 2015 to June 30, 2016 is calculated as follows:

X	=	Amount of all municipal taxes paid in 2014	=	$16,771,303
Y	=	Amount of Revenue earned in 2014 to which MTA factor shall apply, calculated as follows:		
		Normalized Revenue from rates for 2014	=	$619,504,000
		Add: RSA Billings for 2014	=	$55,150,200
		Add: 2014 Weather Normalization Revenue Adj.	=	$2,730,000
		Less: Forfeited Discounts	=	$3,016,000
Y	=			$674,368,200

Municipal Tax Adjustment Factor $= \frac{X}{Y} + 1.00000$

$= \frac{\$16,771,303}{\$674,368,200} + 1.00000$

Municipal Tax Adjustment Factor = 1.02487

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 ..... $15.70 per month
Exceeding 200 Amp Service ..... $20.70 per month

Energy Charge:
All kilowatt-hours ..... @10.573¢ per kWh

Minimum Monthly Charge:
Not Exceeding 200 Amp Service ..... $15.70 per month
Exceeding 200 Amp Service ..... $20.70 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: ..... $21.93 per month

Demand Charge:
$9.10 per kW of billing demand in the months of December, January, February and March and $6.60 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 ..... @ 10.534¢ per kWh
All excess kilowatt-hours ..... @ 7.791¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 18.775 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase ..... $21.93 per month
Three Phase ..... $36.03 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: ..... $50.08 per month

Demand Charge:
$7.86 per kVA of billing demand in the months of December, January, February and March and $5.36 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 ..... @ 9.156¢ per kWh
All excess kilowatt-hours ..... @ 7.286¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 18.775 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: ..... $85.13 per month

Demand Charge:
$7.41 per kVA of billing demand in the months of December, January, February and March and $4.91 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 ..... @ 8.605¢ per kWh
All excess kilowatt-hours ..... @ 7.041¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 18.775 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)

	Sentinel/Standard	Post Top
High Pressure Sodium		
100W (8,600 lumens)	$16.78	$18.20
150W (14,400 lumens)	21.13	-
250W (23,200 lumens)	29.88	-
400W (45,000 lumens)	41.17	-
Mercury Vapour		
175W (7,000 lumens)	$16.78	$18.20
250W (9,400 lumens)	21.13	-
400W (17,200 lumens)	29.88	-

Special poles used exclusively for lighting service**	
Wood	$7.24
30' Concrete or Metal, direct buried	10.46
45' Concrete or Metal, direct buried	14.74
25' Concrete or Metal, Post Top, direct buried	7.99
Underground Wiring (per run)**	
All sizes and types of fixtures	$12.80

** 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)

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

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.

Schedule of Rates, Tolls and Charges

RATE STABILIZATION CLAUSE

The Company shall include a rate stabilization adjustment in its rates. This adjustment shall reflect the accumulated balance in the Company's Rate Stabilization Account ("RSA") and any change in the rates charged to the Company by Newfoundland and Labrador Hydro ("Hydro") as a result of the operation of its Rate Stabilization Plan ("RSP").

I. RATE STABILIZATION ADJUSTMENT ("A")

The Rate Stabilization Adjustment ("A") shall be calculated as the total of the Recovery Adjustment Factor and the Fuel Rider Adjustment.

The Recovery Adjustment Factor shall be recalculated annually, effective the first day of July in each year, to amortize over the following twelve (12) month period the annual plan recovery amount designated to be billed by Hydro to the Company, and the balance in the Company's RSA.

The Recovery Adjustment Factor expressed in cents per kilowatt-hour and calculated to the nearest 0.001 cent shall be calculated as follows:

$$\frac{B + C}{D}$$

Where:

B = the annual plan recovery amount designated to be billed by Hydro during the next twelve (12) months commencing July 1 as a result of the operation of Hydro's RSP.

C = the balance in the Company's RSA as of March 31st of the current year.

D = the total kilowatt-hours sold by the Company for the 12 months ending March 31st of the current year.

The Fuel Rider Adjustment shall be recalculated annually, effective the first day of July in each year, to reflect changes in the RSP fuel rider applicable to Newfoundland Power. The Fuel Rider Adjustment expressed in cents per kilowatt-hour and calculated to the nearest 0.001 cent shall be calculated as follows:

$$\frac{E}{D} \times F$$

NEWFOUNDLAND POWER INC.

Schedule of Rates, Tolls and Charges

RATE STABILIZATION CLAUSE

I. RATE STABILIZATION ADJUSTMENT ("A") (Cont'd)

Where:

D = corresponds to the D above.

E = the total kilowatt-hours of energy (including secondary energy) sold to the Company by Hydro during the 12 months ending March 31 of the current year.

F = the fuel rider designated to be charged to Newfoundland Power through Hydro's RSP.

The Rate Stabilization Adjustment ("A") shall be recalculated and be applied as of the effective date of a new wholesale mill rate by Hydro, by resetting the Fuel Rider Adjustment included in the Rate Stabilization Adjustment to zero.

II. RATE STABILIZATION ACCOUNT ("RSA")

The Company shall maintain a RSA which shall be increased or reduced by the following amounts expressed in dollars:

1. At the end of each month the RSA shall be:

   (i) increased (reduced) by the amount actually charged (credited) to the Company by Hydro during the month as the result of the operation of its Rate Stabilization Plan.

   (ii) increased (reduced) by the excess cost of fuel used by the Company during the month calculated as follows:

$$(G/H - P) \times H$$

Where:

G = the cost in dollars of fuel and additives used during the month in the Company's thermal plants to generate electricity other than that generated at the request of Hydro.

H = the net kilowatt-hours generated in the month in the Company's thermal plants other than electricity generated at the request of Hydro.

NEWFOUNDLAND POWER INC.

Schedule of Rates, Tolls and Charges

RATE STABILIZATION CLAUSE

II. RATE STABILIZATION ACCOUNT ("RSA") (Cont'd)

P = the base rate in dollars per kilowatt-hour paid during the month by the Company to Hydro for firm energy.

(iii) reduced by the price differential of firmed-up secondary energy calculated as follows:

$$(P - J) \times K$$

Where:

J = the price in dollars per kilowatt-hour paid by the Company to Hydro during the month for secondary energy supplied by Deer Lake Power and delivered as firm energy to the Company.

K = the kilowatt-hours of such secondary energy supplied to the Company during the month.

P = corresponds to P above.

(iv) reduced (increased) by the amount billed by the Company during the month as the result of the operation of the Rate Stabilization Clause calculated as follows:

$$\frac{L \times A}{100}$$

Where:

L = the total kilowatt-hours sold by the Company during the month.

A = the Rate Stabilization Adjustment in effect during the month expressed in cents per kilowatt-hour.

(v) increased (reduced) by an interest charge (credit) on the balance in the RSA at the beginning of the month, at a monthly rate equivalent to the mid-point of the Company's allowed rate of return on rate base.

2. On the 31st of December in each year, commencing in 1989, the RSA shall be increased (reduced) by the amount that the Company billed customers under the Municipal Tax Clause for the previous calendar year is less (or greater) than the amount of municipal taxes for that year.

NEWFOUNDLAND POWER INC.

Schedule of Rates, Tolls and Charges

RATE STABILIZATION CLAUSE

II. RATE STABILIZATION ACCOUNT ("RSA") (Cont'd)

3. The annual kilowatt-hours used in calculating the Rate Stabilization Adjustment to the monthly streetlighting rates are as follows:

	Fixture Size (watts)				
	100	150	175	250	400
Mercury Vapour	-	-	840	1,189	1,869
High Pressure Sodium	546	802	-	1,273	1,995

4. On December 31st, 2015, the RSA shall be reduced (increased) by the amount that the increase in the Company's revenue for the year resulting from the change in base rates attributable to the flow through of Hydro's interim wholesale rate change, effective July 1, 2015, is greater (or less) than the amount of the increase in the Company's purchased power expense for the year resulting from the change in the base rate charged on an interim basis by Hydro effective July 1, 2015.

This clause will shall be revised as required when the Company's rates are changed to reflect the flow-through of final changes to Hydro's wholesale rate.

The methodology to calculate the RSA adjustment at December 31, 2015 is as follows:

Calculation of increase in Revenue:	
2015 Revenue with Flow-through (Q)	$ -
2015 Revenue without Flow-through (R)	$ -
Increase in Revenue (S = Q – R)	$ -
Calculation of increase in Purchased Power Expense:	
2015 Purchased Power Expense with Hydro Increase (T)	$ -
2015 Purchased Power Expense without Hydro Increase (U)	$ -
Increase in Purchased Power Expense (V = T – U)	$ -
Adjustment to Rate Stabilization Account (W = S – V)	$ -

Where:

- Q = Normalized revenue from base rates effective July 1, 2015.
- R = Normalized revenue from base rates determined based on rates effective July 1, 2013.
- T = Normalized purchased power expense from Hydro's wholesale rate effective July 1, 2015 (not including RSP rate).
- U = Normalized purchased power expense determined based on Hydro's wholesale rate effective January 1, 2007 (not including RSP rate).

NEWFOUNDLAND POWER INC.

Schedule of Rates, Tolls and Charges

RATE STABILIZATION CLAUSE

III. RATE CHANGES

The energy charges in each rate classification (other than the energy charge in the "Maximum Monthly Charge" in classifications having a demand charge) shall be adjusted as required to reflect the changes in the Rate Stabilization Adjustment. The new energy charges shall be determined by subtracting the previous Rate Stabilization Adjustment from the previous energy charges and adding the new Rate Stabilization Adjustment. The new energy charges shall apply to all bills based on consumption on and after the effective date of the adjustment.