

HAND DELIVERED

August 30, 2016

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

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

Ladies & Gentlemen:

Re: Newfoundland and Labrador Hydro: Approval of a Plan for the Rate Stabilization Plan ("RSP") Surplus to Customers — Request for Comments

A. Background

In Order No. P.U. 9 (2014), the Public Utilities Board (the "Board") indicated it expected that Newfoundland and Labrador Hydro ("Hydro"), Newfoundland Power (or the "Company") and the Consumer Advocate would work jointly to determine a reasonable and appropriate approach in relation to the refund of the RSP Surplus, consistent with the Orders in Council and file a consensus proposal with the Board for its consideration.

On January 8, 2016, Newfoundland Power provided a draft refund proposal for evaluation and comments by Hydro and the Consumer Advocate. In February 2016, it was agreed among Newfoundland Power, Hydro and the Consumer Advocate that the draft proposal, with agreed modifications (the "Consensus Proposal"), reflected a reasonable and appropriate approach consistent with the Orders in Council.

On June 30, 2016, the Company filed an application for approval of a plan to refund Newfoundland Power's customers a portion of the RSP Surplus (the "Newfoundland Power Plan"). The Newfoundland Power Plan is based on the Consensus Proposal.

On July 12, 2016, Hydro filed an application for approval of a plan to refund Hydro's customers the RSP Surplus (the "Hydro Plan").

Newfoundland Power Inc.

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By correspondence dated August 24, 2016, the Board requested that Newfoundland Power and the Consumer Advocate indicate whether they support approval of Hydro's application by today's date.

B. Newfoundland Power's Comments

General

The Hydro Plan is consistent with the Consensus Proposal and with the Newfoundland Power Plan. Accordingly, Newfoundland Power supports approval by the Board of Hydro's application.

However, Newfoundland Power has identified an issue with respect to the calculation of the "Newfoundland Power Refund" provided for in Section 2.2 of the Hydro Plan that should be addressed in the Board's approval of the application.

The "Newfoundland Power Refund"

The Orders in Council direct that Newfoundland Power's portion of the RSP Surplus "shall be distributed as a **direct payment or rebate to its ratepayers...**". On that basis, the Newfoundland Power Plan provides for the calculation of refunds to Newfoundland Power's ratepayers and for the transfer from Hydro of amounts sufficient to fund those refunds, no more and no less.

Section 4 of the Hydro Plan states as follows:

"Hydro will refund from the RSP Surplus to Newfoundland Power an amount specified by Newfoundland Power pursuant to Newfoundland Power's RSP Refund Plan as approved by the Board."

This complements Section 4 of Newfoundland Power's Plan, which provides:

"No later than 10 business days prior to a Payment Date, the Company shall request Hydro to transfer immediately available funds from the RSP to the Designated Account to permit the Company to provide Refunds to Customers on the Payment Date."

Section 2.2 of the Hydro Plan provides for the calculation of a Newfoundland Power Refund based on a wholesale refund rate. The detailed calculation is set out in Schedule 1 to the Hydro Plan.

Due to the manner in which rounding is applied in the Schedule 1 calculation, the calculation of customer refund amounts under the Newfoundland Power Plan and the calculation of the Newfoundland Power Refund as provided for in the Hydro Plan could provide different results. The effect is illustrated in the example in Attachment 1 to this letter.

Hydro's evidence does not identify this as an issue.

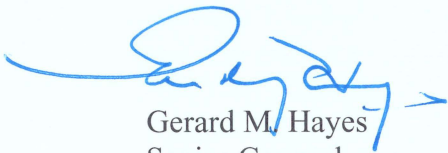
In Newfoundland Power's submission, the Board's approval of the Hydro Plan should provide for an adjustment to reconcile the amount determined in accordance with Section 2.2 of the Hydro Plan to the amount required to be transferred from Hydro to Newfoundland Power pursuant to Section 4 of the Hydro Plan, such that the funds transferred from Hydro to Newfoundland Power are sufficient to fund refunds to Newfoundland Power's customers, no more and no less.

D. Concluding

With the exception noted above, Newfoundland Power supports Hydro's application.

If you have any questions, please feel free to contact us.

Yours very truly,



Gerard M. Hayes
Senior Counsel

c. Tracey Pennell
Newfoundland and Labrador Hydro

Thomas Johnson, QC
O'Dea Earle Law Offices

Attachment 1

Calculation of the Newfoundland Power Refund Amount

The Refund Rate (cents/kWh) per Newfoundland Power's Plan	A	0.360
Newfoundland Power kWh sales to its customers during the Refund Period	B	<u>35,430,721,000</u>
The Newfoundland Power Refund Amount (consistent with Section 4)	C = A x B / 100	\$ 127,550,596
Total firm energy (in kwh) purchased by Newfoundland Power from Hydro during the Refund Period	D	<u>34,428,864,909</u>
The Wholesale Refund Rate (cents/kWh rounded to the nearest 0.001)	E = C / D x 100	0.370
The Newfoundland Power Refund Amount as determined by Section 2 using the Wholesale Refund Rate	F = D x E / 100	\$ 127,386,800
Difference in Refund Amount	G = C - F	\$ 163,796

Notes

For illustration purposes, figures from Exhibit 1 to Hydro's Evidence are used.

The illustration above shows the calculation of the transfer of RSP Surplus funds to Newfoundland Power consistent with Section 4 of Hydro's Customer Refund Plan (item C).

The example also shows the calculation of the Wholesale Refund Rate (item E)

Both of these calculations are in accordance with Schedule 1 to the Hydro Plan.

Finally, the example calculates the Newfoundland Power Refund as determined by Section 2 of the Hydro Plan (i.e. applying the Wholesale Refund Rate to purchases by Newfoundland Power from Hydro during the Refund Period (item F).

Item G is the difference between the two amounts.