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September 9, 2013

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, Newfoundland & Labrador
A1A 5B2

Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: An Application by Newfoundland and Labrador Hydro for the approval of the Rate Stabilization Plan rules and components of the rates to be charged to Industrial Customers - Revisions

Enclosed please find an original plus nine copies of the following revisions with regard to the above-noted application. Please note for ease of reference, the revisions have been shaded.

- Hydro's response to Request for Information V-NLH-3 (Rev 1) correction in the year at line 23, page 1 of 2; and
- July 2013 Rate Stabilization Plan Evidence, page 11, Table 3 (Rev 1) corrections in Teck IC Phase-In Rates Effective September 1, 2014 (Energy and Demand).

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Greg Moores – Stewart McKelvey Stirling Scales
Sheryl Nisenbaum – Praxair Canada Inc.
Thomas Johnson – Consumer Advocate
Dean Porter – Poole Althouse
Mark Sheppard – Vale NL Limited

Q. Pages 6 and 16 of the Grant Thornton report which is included in the IC RSP application, discuss the 1986 method for allocating the fuel component of the load variation. Page 6, lines 24 - 28 reads:

"According to the March 26, 1986 letter from Hydro, it was noted that the calculation of the plan balances for the retail and Industrial Customers *would be prepared monthly. The letter indicated that Hydro would recalculate the 1986* cost *of service by* customer, *replacing the* 1986 costs *with the actual* costs as *they became available, related to any changes which* may *occur in both firm and secondary loads, hydro production and/or fuel prices."*

Page 16, lines 29 - 33 relate the RSP changes that occurred following the 2003 GRA. The report states:

"Load Variation Component

The change in this component of the RSP was *to treat the fuel* costs *component of the load variation in the* same *manner* as *the revenue component. The revenue variation component is assigned to the customer* class *which caused the variation, however previously the fuel* cost *variation* was *treated* as *common* costs *and shared proportionately among the customer* classes regardless *of the* class *that* caused *the variation. It* was *allocated using* customer *energy ratios."*

How does the allocation method which Hydro is currently proposing differ from the method that was used prior to 2004?

A. The allocation methods that Hydro was using effective January 1, 2014 and prior are contained in Hydro's 2006 RSP Report, page 13, Table 7 (Appendix B in Hydro's July 2013 Rate Stabilization Plan Evidence). Table 7 is shown below and has been updated with Hydro's proposed, effective September 1, 2013, RSP load variation treatment.

Change	Previous	Effective September 1, 2002 Order No. P.U. 7 (2002-2003)	Effective January 1, 2004 Order No. P.U. 40(2004)	Proposed Effective September 1, 2013
Fuel Component of Load Variation	Cost of service allocation	Energy allocation ratios	100% where incurred	Energy allocation ratios
Revenue Component of Load Variation	100% where incurred	100% where incurred	100% where incurred	Energy allocation ratios
Recovery Period	Perpetual or rolling 3-year	Discrete 2-year write-off	Discrete 1-year write-off	Discrete 1-year write-off