

Volume 1, Section 1 - Introduction

Q. (page 4, line 8) “Since 2002, customer rates have increased by over 26 percent” (on a compounded basis). Assuming NP’s proposed rates, tolls and charges are approved as filed, please confirm the percentage by which customer rates will have increased since 2002 as of January 1, 2008.

A. Assuming Newfoundland Power’s proposed rates, tolls and charges are approved as filed, customer rates will have increased by over 29 percent since 2002 as of January 1, 2008.¹

Table 1 shows electricity price changes for Newfoundland Power customers in the period 2002 to April 2006, updated to include the July 1, 2007 RSA/MTA change and the change proposed for January 1, 2008.

**Table 1
Rate Changes: 2002 to 2008
(percent)**

	2002	2003	2004	2005	2006	2007	July 1 2007	2008	Total ²
Newfoundland Power ³	-0.6	-0.2	-	-0.5	-	-0.5	-	5.3	3.4
Newfoundland and Labrador Hydro ⁴	3.7	-	5.3	-	-	3.1	-	-	12.6
RSP/RSA/MTA ⁵	-0.1	2.0	4.5	5.2	4.8	-2.5	-2.9	-	11.1

¹ On a compounded basis.

² The total reflects the *compounded* change in rates from 2002 to 2008.

³ Rate changes for 2002, 2005 and 2007 were the result of the operation of the automatic adjustment formula which sets Newfoundland Power’s annual return on rate base. The rate change for 2003 resulted from Order No. P.U. 19 (2003). The rate change for 2008 reflects the 2008 GRA proposal.

⁴ These rate changes resulted from Orders on Hydro general rate applications and include the effects of rebasing fuel costs from the RSP/RSA fuel rider into Hydro base rates (see Order Nos. P.U. 9 (2002-2003), P.U. 19 (2004) Amended and P.U. 8 (2007)).

⁵ These rate changes result from operation of Hydro’s rate stabilization plan (“RSP”) and Newfoundland Power’s RSA which principally operate to ensure timely recovery of the cost of Holyrood fuel. For 2003, 2005 and 2006, the rate changes reflected changes in fuel costs or fuel forecasts in accordance with the Board’s Orders. For 2004, the rate change reflects the recovery of Hydro’s pre-2004 legacy Holyrood fuel costs of approximately \$115 million (see Order No. P.U. 19 (2004) Amended). For 2007, the rate change was the result of a one-time adjustment to reflect reduced Holyrood fuel usage caused by higher hydroelectric production (see Order No. P.U. 8 (2007)) and also reflects a 2.9 percent rate reduction on July 1, 2007 as a result of the operation of RSP/RSA. Adjustments associated with the MTA have a minimal impact on rate changes over the 2002 to 2008 period.