

Volume 1, Section 1 - Introduction

Q. Please compare the extent to which customer rates changed over the five years (on a compound basis) leading up to and including the implementation of the rate proposals contained in NP's last GRA to the extent to which customer rates will have changed (on a compound basis) in the five years leading up to and including January 1, 2008, assuming the company's Application is approved as filed.

A. Customer rates increased by 7% (on a compound basis) over the five years leading up to and including the implementation of the rates approved in Newfoundland Power's last GRA in 2003. See Table 1.

**Table 1
Rate Changes: 1999 to 2003
(percent)**

	1999	2000	2001	2002	2003	Total ¹
Newfoundland Power ²	1.2	0.7	-	-0.6	-0.2	1.1
Newfoundland and Labrador Hydro ³	-	-	-	3.7	-	3.7
RSP/RSA/MTA ⁴	1.1	-1.1	-0.2	-0.1	2.0	1.7

¹ The total reflects the *compounded* change in rates from 1999 to 2003.

² Rate change for 1999 was the result of the 1998 GRA. 2000 and 2002 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 reflects rates approved in Order No. P.U. 19 (2003).

³ This rate change resulted from Order Nos. P.U. 7 (2002-2003) and P.U. 16 (2002-2003) as a result of Hydro's general rate application.

⁴ 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. Adjustments associated with the MTA have a minimal impact on rate changes over the 1999 to 2003 period.

1 Customer rates will have increased by approximately 21% (on a compound basis) over
 2 the five years leading up to and including January 1, 2008, assuming the Company's
 3 Amended Application is approved as filed. See Table 2.
 4
 5

Table 2
Rate Changes: 2004 to 2008
(percent)

	2004	2005	2006	2007	July 1 2007	2008	Total ⁵
Newfoundland Power ⁶	-	-0.5	-	-0.5	-	2.8	1.8
Newfoundland Hydro ⁷	5.3	-	-	3.1	-	-	8.6
RSP/RSA/MTA ⁸	4.5	5.2	4.8	-2.5	-2.9	-	9.1

6

⁵ The total reflects the *compounded* change in rates from 2004 to 2008.
⁶ Rate changes for 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 2008 reflects NP's 2008 GRA proposal in the Amended Application.
⁷ 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. 19 (2004) Amended and P.U. 8 (2007)).
⁸ 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 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 2004 to 2008 period.