

1 **Volume 2, Tab 13 – Rate Design Review**
2

3 **Q. Please provide documentation confirming that NP has met its commitment in the**
4 **February 26, 2003 Mediation Report (Section 1, component (n)) that (1) it will not**
5 **propose a basic customer charge increase as a result of any wholesale rate increase**
6 **in Hydro’s 2003 GRA proceeding, and (2) In its next GRA, NP will cap the customer**
7 **charge recovery of distribution costs allocated to customers at 50% of these**
8 **allocated distribution costs for these rate classes (customers on Rates 1.1 and 2.1),**
9 **with the remainder to be recovered through energy charges.**

10
11 A. Newfoundland Power has met its commitments as agreed to in the February 26, 2003
12 Mediation Report (the “Mediation Report”) and incorporated in the Board’s decision in
13 Order No. P.U. 19 (2003) related to the Basic Customer Charge.
14

15 In the Mediation Report, Newfoundland Power agreed not to increase its Basic Customer
16 Charges as <> a result of Hydro’s 2003 GRA proceeding.
17

18 Newfoundland Power did not propose increases to the Basic Customer Charge for those
19 customer classes following either Hydro’s 2003 or 2006 GRA.
20

21 Attachments A and B are copies of Newfoundland Power’s flow-through applications
22 arising out of Hydro’s 2003 GRA and 2006 GRA, respectively. The Board approved
23 Newfoundland Power’s proposals in those applications in Order Nos. P.U. 19 (2004) and
24 P.U. 9 (2007), respectively.
25

26 In the Mediation Report, Newfoundland Power also agreed to cap the recovery of
27 distribution costs allocated to customers in the Basic Customer Charge for the Rate 1.1
28 and 2.1 customer classes at 50% of the allocated distribution costs for these rate classes.
29

30 In this Application, the only increase in a Basic Customer Charge being proposed by
31 Newfoundland Power is for the Rate 2.1 customer class. The proposed Basic Customer
32 Charge of \$17.90 per month for the Rate 2.1 customer class is less than \$19.85 per
33 month, which is what the Basic Customer Charge would be at the 50% cap calculated in
34 accordance with the Mediation Report.
35

36 A comparison of the Basic Customer Charge, the customer-related costs, and the agreed
37 maximum basic customer charge for the Rate 2.1 customer class is provided in the *Rate*
38 *Design Review*, Volume 2, Supporting Materials, Tab 13, pages 5-7.

2003 Hydro GRA Flow-Through Application

DELIVERED BY HAND

June 15, 2004

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

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

Ladies and Gentlemen:

Re: Newfoundland Power Inc. Flow-Through Application

A. *Overview of Application*

Please find enclosed 15 copies of an Application (the "Application") to permit Newfoundland Power Inc. ("Newfoundland Power") to flow through to its customers the increased purchased power costs resulting from Order No. P.U. 17 (2004) (the "Hydro Rate Order") pursuant to s.80 (2) of the *Public Utilities Act*.

In 2003, Newfoundland Power incurred approximately \$228 million in purchased power costs ("Purchased Power Expense"), which represents approximately 60% of Newfoundland Power's total revenue. The Hydro Rate Order will increase Newfoundland Power's Purchased Power Expense by approximately 9.3%. This increase has been thoroughly tested through the extensive public hearing process leading up to the Hydro Rate Order.

Order No. P.U. 23 (2003), which set Newfoundland Power's base rates (excluding the Rate Stabilization Account adjustment (the "RSA Adjustment") and the Municipal Tax Adjustment (the "MTA Adjustment")) and established its return on rate base for 2003 and 2004, did so without reference to the approximately 9.3% increase in Newfoundland Power's Purchased Power Expense that has been authorized by the Hydro Rate Order.

Section 80 (2) of the *Public Utilities Act* entitles Newfoundland Power to recover the increased Purchased Power Expense as a part of its operating costs in 2004, in addition to its return on rate base allowed under s. 80(1).

As a matter of regulatory policy, consumer rates should reflect tested costs and the Application reflects this. In 2003, Newfoundland Power's costs were thoroughly tested in an extensive public hearing process culminating in the establishment of new base rates effective August 1, 2003. The billing determinants which underlie the base rates approved by the Board for August 1, 2003 have been used for the purposes of the Application.

Permitting a timely flow-through of the full increased Purchased Power Expense resulting from the Hydro Rate Order as proposed in the Application will simply result in customer rates reflecting tested costs.

B. Proposed Rate Changes

The rate changes proposed in the Application generally reflect Newfoundland Power's historic approach of applying the same average percent increase in revenue from rates for each class to the extent practical and in accordance with rate design guidelines endorsed by the Board.

In the Application, two specific rate design guidelines have influenced the rate change proposals.

The first arises from a Mediation Report (the "Report") approved by the Board in Orders No. P.U. 7 and 19 (2003). In the Report, Newfoundland Power agreed, amongst other things, to not propose a basic customer charge increase as a result of any wholesale rate increase resulting from the Hydro Rate Order. Accordingly, Newfoundland Power is not proposing any increase to basic customer charges in the Application.

The second rate design guideline which has influenced the rate change proposals in the Application is the maintenance of class revenue to cost ratios within a range of 90% to 110%. This revenue to cost ratio range has been before the Board a number of times (see, for example, Order No. P.U. 7 (1996-97) at pp. 86 *et. seq.* and Order No. P.U. 36 (1998-99) at pp. 85 *et. seq.*). In considering the impact of the flowthrough of increased Purchased Power Expense resulting from the Hydro Rate Order, it was apparent that application of an average increase to the Street and Area Lighting Service rate class would cause the revenue to cost ratio for that class to exceed 110%. This essentially reflects the fact, which is set out in the Application, that the Street and Area Lighting rate class has a significantly lower proportion of Purchased Power Expense relative to total class costs than other Newfoundland Power rate classes. Accordingly, Newfoundland Power is proposing a 1.95% increase in revenue from rates for Street and Area Lighting Service and a 5.68% increase in revenue from rates for all other classes of service.

C. *Rate Stabilization Account*

The Application proposes that Newfoundland Power's Rate Stabilization Account be adjusted at year-end 2004 to ensure that Newfoundland Power recovers only that revenue in 2004 required to offset the increased Purchased Power Expense resulting from the Hydro Rate Order. The use of the RSA ensures that the cost recovery to Newfoundland Power resulting from the flowthrough of the Hydro rate increase matches the actual increase in Purchased Power Expense experienced by Newfoundland Power. Such an approach was adopted by the Board in Order Nos. P.U.7 (1990) and P.U. 22 (2002-2003), which dealt with the recovery by Newfoundland Power of increased Purchased Power Expense resulting from Hydro's last two general rate increases.

For convenience, the proposed Rate Stabilization Clause attached as Schedule G to the Application is based on the revised Rate Stabilization Clause proposed in Newfoundland Power's application to the Board dated May 28, 2004.

D. *Customer Impacts*

The 5.56% increase in revenue from base rates proposed in the Application corresponds to a 5.34% average increase in final rates to be charged to customers. This 5.34% average customer impact includes consideration of the RSA and MTA Adjustments as approved by Order No. P.U. 18 (2003).

The Company is proposing to recover the increase in Purchased Power Expense principally through higher demand and energy charges with no increase in basic customer charges. Accordingly, customers with higher usage will receive slightly higher increases than customers with lower usage as a result of the rate changes proposed in the Application.

We trust the foregoing and enclosed are in order; however, if you have any questions whatsoever, do not hesitate to contact the undersigned directly.

Yours very truly,

Peter Alteen
Vice President, Regulatory Affairs
& General Counsel

Enclosure

c. Maureen P. Greene, Q.C.
Newfoundland and Labrador Hydro

IN THE MATTER OF Sections 70 (1) and 80 (2) of the *Public Utilities Act*, R.S.N. 1990, Chapter P-47 (the “Act”); and

IN THE MATTER OF an Application by Newfoundland Power Inc. (“Newfoundland Power”) to revise its schedule of rates, tolls and charges to permit recovery of additional costs payable to Newfoundland and Labrador Hydro for the supply of power as a result of Order No. P.U. 17 (2004) and for the approval of an amendment 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 duly 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. By Order No. P.U. 23 (2003), the Board approved a schedule of rates, tolls and charges for Newfoundland Power to be effective August 1, 2003.
3. By Order No. P.U. 17 (2004) (the “Hydro Rate Order”), the Board determined that the rates charged by Newfoundland and Labrador Hydro (“Hydro”) to Newfoundland Power be increased by 9.3% as of July 1, 2004. The cost of purchased power paid to Hydro (“Purchased Power Expense”) represents approximately 60% of Newfoundland Power’s test year revenue.
4. Section 80 (2) of the Act entitles Newfoundland Power to recover the additional Purchased Power Expense in 2004 resulting from the Hydro Rate Order. To do so, Newfoundland Power’s schedule of rates, tolls and charges must be revised.
5. In this Application Newfoundland Power requests that the Board approve (i) a revised schedule of rates, tolls and charges for Newfoundland Power and (ii) an amendment to Newfoundland Power’s Rate Stabilization Clause, both of which will result in an increase in revenues of Newfoundland Power equivalent to the increase in Purchased Power Expense resulting from the Hydro Rate Order.

B. *Overview of Proposed Rate and Revenue Changes*

6. Newfoundland Power submits that the tested forecasts used in setting current rates approved by Order No. P.U. 23 (2003) also be used to determine the percentage increase in revenue from rates required to recover the increase in Purchased Power Expense resulting from the Hydro Rate Order.
7. Newfoundland Power proposes to recover the increase in Purchased Power Expense resulting from the Hydro Rate Order through a uniform increase in revenue from rates for all classes of service other than Street and Area Lighting Service.
8. An increase of 5.68% in Newfoundland Power's revenue from rates for Domestic and General Service together with an increase of 1.95% in revenue from rates for Street and Area Lighting Service will offset the annual increase in Purchased Power Expense resulting from the Hydro Rate Order.
9. The calculation of the required increase in revenue from rates is set out in Schedule A.
10. Newfoundland Power's adjusted test year revenue requirement is set out in Schedule B.

C. *Domestic and General Service: Rates 1.1, 2.1, 2.2, 2.3 and 2.4*

11. In Order No. P.U. 7 (2003), the Board accepted and adopted a mediation report in which Newfoundland Power agreed, amongst other things, not to propose an increase in the monthly customer charges for Domestic Rate 1.1 and General Service Rate 2.1 as a result of the Hydro Rate Order. Newfoundland Power is not proposing any increase to monthly customer charges in this Application.
12. Newfoundland Power proposes a 5.68% increase in revenue from rates for Domestic and General Service to recover the increased Purchased Power Expense resulting from the Hydro Rate Order through increases in the demand and energy charges for those classes of service.

D. *Street and Area Lighting Service: Rate 4.1*

13. Purchased Power Expense comprises approximately 60% of Newfoundland Power's overall cost of providing service but only approximately 20% of the cost of providing Street and Area Lighting Service.
14. Newfoundland Power proposes a 1.95% increase in revenue from rates for Street and Area Lighting Service to ensure the impact of the increase in Purchased Power Expense resulting from the Hydro Rate Order is appropriately reflected in that class of service.

15. The calculation of the proposed increase in Street and Area Lighting Service rates is set out in Schedule C.
16. The cost of providing poles and underground wiring for Street and Area Lighting Service is not affected by the increase in Purchased Power Expense resulting from the Hydro Rate Order. Accordingly, Newfoundland Power is not proposing to increase the charges for poles and underground wiring for Street and Area Lighting Service to recover any portion of the increase in Purchased Power Expense resulting from the Hydro Rate Order.
17. The 1.95% increase in revenue from rates for Street and Area Lighting Service is proposed to be recovered through increases in charges for fixtures in that class of service.

E. Schedule of Rates, Tolls and Charges

18. The proposed schedule of rates, tolls and charges for Newfoundland Power for implementation on July 1, 2004 is set out in Schedule D.
19. A summary comparison of Newfoundland Power's existing rates, tolls and charges and the proposed rates, tolls and charges is set out in Schedule E.
20. The proposed change in Newfoundland Power's test year revenue from rates by customer class that will result from the required rate increase is set out in Schedule F.

F. Rate Stabilization Account

21. Newfoundland Power submits that it is just and reasonable for it to recover the full amount of the increase in Purchased Power Expense resulting from the Hydro Rate Order without any additional financial benefit or disadvantage.
22. Timing differences arising from the flowthrough of the increase in Purchased Power Expense to Newfoundland Power's customers will result in a difference between the increase in 2004 revenue from the application of the required rate increase and the increase in 2004 Purchased Power Expense resulting from the Hydro Rate Order.
23. Newfoundland Power proposes that there be a year-end adjustment to Newfoundland Power's Rate Stabilization Account such that any under-recovery or over-recovery of increased Purchased Power Expense in 2004, resulting from the Hydro Rate Order, be debited or credited at December 31, 2004, as appropriate, to its Rate Stabilization Account. The balance in the Rate Stabilization Account as of March 31, 2005 will be recovered from, or credited to, customers over the period July 1, 2005 to June 30, 2006. This is consistent with the approach approved by the Board in Order Nos. P.U. 7 (1990) and P.U. 22 (2002-2003), which dealt with Newfoundland Power's flowthrough of Hydro's last two general rate increases.

24. Schedule G sets out the Rate Stabilization Clause, including the proposed Section II (4) at page 4 of 4.
25. The proposed methodology for calculating the 2004 year-end adjustment to be applied to the Rate Stabilization Account is set out in Schedule H.

G. *Order Requested*

26. Newfoundland Power requests that the Board make an Order pursuant to s. 70 (1) of the Act approving:
 - i) The schedule of rates, tolls and charges set out in Schedule D, to apply to consumption on and after July 1, 2004; and
 - ii) The Rate Stabilization Clause set out in Schedule G.
27. Communication with respect to this Application should be forwarded to the attention of Peter Alteen and Gerard Hayes, Counsel to Newfoundland Power.

DATED at St. John's, Newfoundland and Labrador this 15th day of June, 2004.

NEWFOUNDLAND POWER INC.

Peter Alteen and Gerard Hayes
Counsel to Newfoundland Power Inc.
55 Kenmount Road
St. John's, Newfoundland
A1B 3P6

Telephone: 737-5859
Telecopier: 737-2974

IN THE MATTER OF Sections 70 (1) and 80 (2) of the *Public Utilities Act*, R.S.N. 1990, Chapter P-47 (the “Act”); and

IN THE MATTER OF an Application by Newfoundland Power Inc. (“Newfoundland Power”) to revise its schedule of rates, tolls and charges to permit recovery of additional costs payable to Newfoundland and Labrador Hydro for the supply of power as a result of Order No. P.U. 17 (2004) and for the approval of an amendment to Newfoundland Power’s Rate Stabilization Clause;

AFFIDAVIT

I, Lisa A. Hutchens, of the Town of Logy Bay - Middle Cove - Outer Cove in the Province of Newfoundland and Labrador, Chartered Accountant make oath and say as follows:

1. That I am Vice-President, Finance and Chief Financial Officer 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 15th day of June, 2004,
before me:

Peter Alteen
Barrister

Lisa A. Hutchens

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

Required Increase in Revenue from Rates

(Based on 2004 test year)

	<u>Before Hydro Rate Change</u>	<u>After Hydro Rate Change</u>	<u>Increase</u>	
Purchased Power Rate (mills / kWh)	47.89	52.34		
2004 Test Year Forecast firm energy purchases from Hydro (GWh)	4,772.5	4,772.5		
Purchased Power Expense (000s) ¹	<u>\$228,555</u>	<u>\$249,793</u>	<u>\$21,238</u>	(A)
2004 Test Year Revenue from Rates Effective August 1, 2003 (000s)	<u>\$381,688</u> ²			(B)
Required Increase in Revenue From Rates			5.56%	(A/B)

¹ Excludes a \$1.7 million amortization of recovery of the balance in Weather Normalization Reserve approved by Order No. P.U. 19 (2003).

² 2004 revenue from rates used to calculate rates approved by Order No. P.U. 23 (2003) and provided in Schedule B.

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

Test Year Revenue Requirement Adjustment
(000s)

	<u>Revenue Requirement 2004 Test year¹</u>	<u>Adjustment for Change in Purchased Power Expense²</u>	<u>Adjusted Revenue Requirement 2004 Test Year</u>
Revenue from Rates	\$ 381,688	\$21,238	\$402,926
Purchased Power ³	<u>230,286</u>	<u>21,238</u>	<u>251,524</u>
Contribution	<u>151,402</u>	<u>-</u>	<u>151,402</u>
Other Revenue	<u>8,593</u>	<u>-</u>	<u>8,593</u>
<u>Other Expenses</u>			
Operating Expenses	52,434		52,434
Depreciation	30,589		30,589
Income Tax	<u>15,249</u>		<u>15,249</u>
	<u>98,272</u>	<u>-</u>	<u>98,272</u>
Return on Rate Base before Non-Deductible Expenses	61,723	-	61,723
Add: Non-Deductible Expenses (Net of Tax)	725	-	725
Return on Rate Base	<u><u>\$62,448</u></u>	<u><u>-</u></u>	<u><u>\$62,448</u></u>

¹ 2004 revenue requirement used to calculate rates approved by Order No. P.U. 23 (2003).

² Increase in 2004 Test Year Purchased Power Expense as shown in Schedule A.

³ Includes a \$1.7 million amortization of recovery of the balance in Weather Normalization Reserve approved by Order No. P.U. 19 (2003).

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

**Determination of Street and Area Lighting Rate Class Change
(\$000s)**

	<u>Total</u>	<u>Street and Area Lighting</u>
Total Cost of Service	354,349 ¹ (A)	10,406 ¹ (C)
Purchased Power Expense	202,479 ² (B)	2,076 ³ (D)
% of Cost of Service	57.1% ⁴ (B/A=E)	20.0% ⁴ (D/C=F)
Required Overall Increase in Revenue from Rates	5.56% ⁵ (G)	
Proposed Class Increase in Revenue from Rates	1.95%	(F/E x G)

¹ Total cost to serve from 2001 Cost of Service Study ("Cost of Service Study"), page 9 of 40, Exhibit LCH-2, Newfoundland Power 2003 General Rate Application.

² 2001 Annual Report to the Board, Return 1.

³ Total Purchased Power Expense allocated to Street and Area Lighting, Cost of Service Study.

⁴ Purchased Power Expense as a percentage of Total Cost to Serve.

⁵ Required increase in revenue from rates as shown in Schedule A.

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

**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: (Excludes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$15.42 per month

Energy Charge:
All kilowatt-hours @ 7.130¢ per kWh

Minimum Monthly Charge \$15.42 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, 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.

2004 Flowthrough Application

**NEWFOUNDLAND POWER INC.
RATE #2.1
GENERAL SERVICE 0-10 kW**

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate: (Excludes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$17.69 per month

Energy Charge:
All kilowatt-hours @ 9.483 ¢ per kWh

Minimum Monthly Charge, Single Phase \$17.69 per month
Three Phase \$35.38 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, 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.

2004 Flowthrough Application

**NEWFOUNDLAND POWER INC.
RATE #2.2
GENERAL SERVICE 10-100 kW (110 kVA)**

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater but less than 100 kilowatts (110 kilovolt-amperes).

Rate: (Excludes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$20.35 per month

Demand Charge:

\$8.21 per kW of billing demand in the months of December, January, February and March and \$7.47 per kW 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 kW of billing demand..... @ 7.331 ¢ per kWh
All excess kilowatt-hours..... @ 4.478 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.1 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase \$20.35 per month
Three Phase \$35.38 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, 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.

2004 Flowthrough Application

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: (Excludes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$91.61 per month

Demand Charge:

\$7.10 per kVA of billing demand in the months of December, January, February and March and \$6.37 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 30,000 kilowatt-hours @ 6.967 ¢ per kWh
All excess kilowatt-hours @ 4.358 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.1 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 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.

2004 Flowthrough Application

**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: (Excludes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$183.23 per month

Demand Charge:

\$6.72 per kVA of billing demand in the months of December, January, February and March and \$5.99 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 100,000 kilowatt-hours @ 5.653 ¢ per kWh

All excess kilowatt-hours @ 4.258 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.1 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 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.

2004 Flowthrough Application

**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: (Excludes Municipal Tax and Rate Stabilization Adjustments)

	Sentinel/Standard	Post Top
High Pressure Sodium*		
100W (8,600 lumens)	\$13.55	\$14.03
150W (14,400 lumens)	16.70	-
250W (23,200 lumens)	21.72	-
400W (45,000 lumens)	28.17	-

* For all new installations and replacements.

Mercury Vapour

175W (7,000 lumens)	\$13.55	\$14.03
250W (9,400 lumens)	16.70	-
400W (17,200 lumens)	21.72	-

Special poles used exclusively for lighting service**

Wood	\$ 6.36
30' Concrete or Metal, direct buried	9.95
45' Concrete or Metal, direct buried	16.35
25' Concrete or Metal, Post Top, direct buried	8.06

Underground Wiring (per run)**

All sizes and types of fixtures	\$13.21
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** 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.

2004 Flowthrough Application

**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)

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

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.

2004 Flowthrough Application

**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.

2004 Flowthrough Application

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

	<u>Existing Rates</u>	<u>Proposed Rates</u>
<u>Domestic - Rate #1.1</u>		
Basic Customer Charge (B.C.C.)	\$15.42/month	\$15.42/month
Energy Charge - All kilowatt hours	6.683 ¢/kWh	7.130 ¢/kWh
Minimum Monthly Charge	\$15.42/month	\$15.42/month
Prompt Payment Discount	1.5% (min. \$1)	1.5% (min. \$1)
<u>General Service 0-10 kW - Rate #2.1</u>		
Basic Customer Charge (B.C.C.)	\$17.69/month	\$17.69/month
Energy Charge - All kilowatt hours	8.835 ¢/kWh	9.483 ¢/kWh
Minimum Monthly Charge		
- single phase	\$17.69/month	\$17.69/month
- three phase	\$35.38/month	\$35.38/month
Prompt Payment Discount	1.5% (min. \$1)	1.5% (min. \$1)
<u>General Service 10-100 kW - Rate #2.2</u>		
Basic Customer Charge (B.C.C.)	\$20.35/month	\$20.35/month
Demand Charge	\$7.75/kW – winter \$7.02/kW – other	\$8.21/kW – winter \$7.47/kW – other
Energy Charge		
First 150 kWh/kW of billing demand	6.928 ¢/kWh	7.331 ¢/kWh
All Excess kWh	4.233 ¢/kWh	4.478 ¢/kWh
Maximum Monthly Charge	14.3 ¢/kWh + B.C.C.	15.1 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$20.35/month	\$20.35/month
- three phase, not less than	\$35.38/month	\$35.38/month
Prompt Payment Discount	1.5% (min. \$1)	1.5% (min. \$1)

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

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

	<u>Existing Rates</u>	<u>Proposed Rates</u>
<u>General Service 110-1000 kVA - Rate #2.3</u>		
Basic Customer Charge (B.C.C.)	\$91.61/month	\$91.61/month
Demand Charge	\$6.72/kVA-winter \$5.99/kVA-other	\$7.10/kVA-winter \$6.37/kVA-other
Energy Charge		
First 150 kWh/kVA of billing demand (max. 30,000 kWh)	6.593 ¢/kWh	6.967 ¢/kWh
All Excess kWh	4.124 ¢/kWh	4.358 ¢/kWh
Maximum Monthly Charge	14.3 ¢/kWh + B.C.C.	15.1 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$91.61/month	\$91.61/month
Prompt Payment Discount	1.5% (max. \$500)	1.5% (max. \$500)
<u>General Service 1000 kVA and Over - Rate #2.4</u>		
Basic Customer Charge (B.C.C.)	\$183.23/month	\$183.23/month
Demand Charge	\$6.41/kVA-winter \$5.68/kVA-other	\$6.72/kVA-winter \$5.99/kVA-other
Energy Charge		
First 100,000 kWh	5.363 ¢/kWh	5.653 ¢/kWh
All Excess kWh	4.026 ¢/kWh	4.258 ¢/kWh
Maximum Monthly Charge	14.3 ¢/kWh + B.C.C.	15.1 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$183.23/month	\$183.23/month
Prompt Payment Discount	1.5% (max. \$500)	1.5% (max. \$500)

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

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

		<u>Existing Rates</u>	<u>Proposed Rates</u>
<u>Street and Area Lighting</u>			
<u>Sentinel/Standard Fixtures</u>			
High Pressure Sodium	- 100W	\$13.23	\$13.55
	- 150W	\$16.31	\$16.70
	- 250W	\$21.21	\$21.72
	- 400W	\$27.51	\$28.17
Mercury Vapour	- 175W	\$13.23	\$13.55
	- 250W	\$16.31	\$16.70
	- 400W	\$21.21	\$21.72
<u>Post Top Fixtures</u>			
Mercury Vapour	- 175W	\$13.70	\$14.03
High Pressure Sodium	- 100W	\$13.70	\$14.03
<u>Poles</u>			
Wood		\$6.36	\$6.36
30' Concrete or Metal, direct buried		\$9.95	\$9.95
45' Concrete or Metal, direct buried		\$16.35	\$16.35
25' Concrete or Metal, Post Top, direct buried		\$8.06	\$8.06
<u>Underground Wiring (per run)</u>			
All sizes and types of fixtures		\$13.21	\$13.21

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

Revenue at Existing and Proposed Rates by Rate Class
(\$000s)

Rate Customer Class	Revenue From Existing ¹ Rates	Revenue From Proposed ² Rates	Change in Revenue	% Class Revenue Change
1.1 Domestic	\$226,620	\$239,481	\$12,861	5.68%
2.1 General Service 0-10 kW	11,131	11,763	632	5.68%
2.2 General Service 10-100 kW (110 kVA)	49,265	52,063	2,798	5.68%
2.3 General Service 110-1000 kVA	58,565	61,893	3,328	5.68%
2.4 General Service 1000 kVA And Over	22,781	24,074	1,293	5.68%
4.1 Street and Area Lighting	11,121	11,338	217	1.95% ³
Forfeited Discounts	2,205	2,314	109	4.94%
Total	<u><u>\$381,688⁴</u></u>	<u><u>\$402,926</u></u>	<u><u>\$21,238</u></u>	<u><u>5.56%</u></u>

¹ Revenue from rates effective August 1, 2003 applied to a full 12 months of the 2004 test year sales forecast.

² Revenue from proposed rates applied to a full 12 months of the 2004 test year sales forecast.

³ Proposed increase in revenue from rates for Street and Area Lighting as shown in Schedule C.

⁴ 2004 revenue from rates used to calculate rates approved by Order No. P.U. 23 (2003).

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

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:

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

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

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.

2004 Flowthrough Application

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.

2004 Flowthrough Application

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:

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

4. On December 31st, 2004, the RSA shall be reduced (increased) by the amount that the increase in the Company's revenue for the year resulting from the rate increase to customers, implemented July 1, 2004, 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 by Hydro effective July 1, 2004.

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.

NEWFOUNDLAND POWER INC.

2004 Flowthrough Application

2004 Rate Stabilization Account Adjustment

Schedule G includes a revised Rate Stabilization Clause to provide for an adjustment to the Rate Stabilization Account at December 31, 2004. The purpose of the adjustment is to recognize and account for any excess or shortfall in additional revenue from the proposed rates as compared to additional Purchased Power Expense resulting from Order No. PU. 17 (2004). This Schedule H describes the methodology for making the adjustment.

Methodology

The methodology to calculate the Rate Stabilization Account adjustment at December 31, 2004 is provided below:

Calculation of 2004 Rate Stabilization Account (RSA) Adjustment

Month	<u>Revenue from Rates</u>			<u>Purchased Power Expense</u>			Adjustment (G = C - F)
	Proposed (A)	Existing (B)	Increase (C = A - B)	Approved (D)	Existing (E)	Increase (F = D - E)	
July	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
August	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
September	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
October	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
November	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
December	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

A - Based on actual revenue from rates in each month.

B - Calculated based on actual billing determinants and applying rates effective August 1, 2003.

D - Based on actual purchased power expense in each month.

E - Calculated based on actual purchases and applying the purchased power rate effective September 1, 2002.

2006 Hydro GRA Flow-Through Application

DELIVERED BY HAND

December 8, 2006

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

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

Ladies and Gentlemen:

Re: Application for 2007 Customer Rates

A. Application

Please find enclosed 15 copies of an Application ("this Application") for approval of a revised schedule of rates, tolls and charges ("Customer Rates") to be effective January 1, 2007.

In Order No. P.U. 38 (2006), the Board, in effect, approved Newfoundland Power's request for a deferral of an application for revised 2007 Customer Rates reflecting the 2007 operation of the Automatic Adjustment Formula (the "Formula") to a date no later than December 15, 2006.

Newfoundland and Labrador Hydro ("Hydro") has filed a revised application dated December 6, 2006 to set rates to be effective January 1, 2007 ("Hydro's Revised Application"). In support of Hydro's Revised Application, 4 agreements between Hydro and the registered interveners in Hydro's general rate application (collectively the "Settlement Agreements") were filed with the Board. Newfoundland Power is a party to the Settlement Agreements.

Newfoundland Power has reviewed the contents of Hydro's Revised Application and believes it reflects the terms of the Settlement Agreements.

Accordingly, in this Application, Newfoundland Power is proposing to change Customer Rates effective January 1, 2007 to incorporate the combined impact of (i) the 2007 operation of the Formula and, (ii) the proposals contained in Hydro's Revised Application.

B. Customer Impacts

General

The changes to Customer Rates proposed in the Application arise from (i) the operation of the Formula on Newfoundland Power's 2007 return on rate base, (ii) the impact of the change in the wholesale power rate on Newfoundland Power's 2007 purchased power costs, and (iii) the impact of a one-time adjustment to the historical balance to be recovered through Hydro's Rate Stabilization Plan ("RSP") on Newfoundland Power's Rate Stabilization Adjustment ("RSA") factor.

The approximate impacts of each item on existing Customer Rates are described below.

The overall rate impact of all proposed changes is an average increase in Customer Rates of approximately 7/100^{ths} of 1 per cent (or 0.07%), effective January 1, 2007.

Specific Impacts

1. 2007 Operation of the Formula

Existing Customer Rates are based on a rate of return on rate base for Newfoundland Power of 8.68%. In Order No. P.U. 40 (2006), the Board approved a rate of return on rate base of 8.47% for 2007 as a result of the operation of the Formula.

The approximate average impact on existing Customer Rates of Newfoundland Power's reduced rate of return on rate base for 2007 is a ***decrease*** of ***0.5%***.

2. 2007 Purchased Power Costs

Hydro's Revised Application seeks to change the wholesale power rate charged to Newfoundland Power effective January 1, 2007. This will increase purchased power costs to Newfoundland Power for 2007.

Approximately 75%, or \$44 million, of the increase in Newfoundland Power's 2007 purchased power costs proposed in Hydro's Revised Application is already being recovered in existing Customer Rates through the current fuel rider in Newfoundland Power's RSA. Accordingly, this portion of the 2007 increase in Newfoundland Power's purchased power costs will not impact Customer Rates.

The approximate average impact on existing Customer Rates of the flow-through to Newfoundland Power's customers of the increased 2007 purchased power costs resulting from Hydro's Revised Application is an ***increase*** of ***3.1%***.

3. Rate Stabilization Adjustment

The RSP included with Hydro's Revised Application provides for an adjustment effective January 1, 2007 to reflect a one-time reduction in the amount of the RSP Historical Plan balance to be recovered from customers. In this Application, Newfoundland Power is proposing a revised RSA factor to be effective January 1, 2007 to reflect the reduction in Hydro's RSP recovery factor caused by this adjustment.

The revised RSA factor will lower 2007 recovery by approximately \$12 million based upon the reduced RSP Historical Plan balance.

The approximate average impact on existing Customer Rates of the proposed change to the RSA factor as a result of this adjustment is a *decrease* of 2.5%.

Aggregate Effects

The impact on aggregate customer billings of the change to Customer Rates proposed in this Application is an increase of \$343,000 on a test year basis.

These aggregate customer billing effects are summarized in Table 1 below.

Table 1
Aggregate Customer Billing Effects
(000s)

	Existing	Proposed Changes			Proposed
		Formula	Purchased Power Costs	RSA Adjustment	
Revenue Requirement	\$400,769	(2,462)	\$59,322		\$457,629
RSA	78,329		(44,444)	(12,081)	21,804
MTA	<u>11,465</u>	<u>(59)</u>	<u>\$356</u>	<u>(289)</u>	<u>11,473</u>
Customer Billings	\$490,563	(2,521)	\$15,234	(12,370)	\$490,906
Change (\$)					\$343
Change (%)		(0.51%)	3.10%	(2.52%)	0.07%

Details

Further details on the changes in existing Customer Rates proposed in this Application can be found in Schedule 1 *Proposed Changes to 2007 Customer Rates*.

All changes proposed in this Application are made in accordance with sound ratemaking principles and existing regulatory practices of the Board.

Concluding

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 or Mr. Gerard Hayes at your convenience.

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

Yours truly,



Peter Alteen
Vice President, Regulatory Affairs
& General Counsel

c. Geoffrey Young
Newfoundland and Labrador Hydro

Thomas Johnson
O'Dea Earle

Mark Kennedy
Law Atlantic

Paul Coxworthy
Stewart McKelvey

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, 78 and 80 of the *Act* and
Order No. P.U. 19 (2003) to revise its schedule of
rates, rules and regulations (“*Customer Rates*”) to:

- (i) reflect the revised rate of return on rate base for 2007 resulting from the operation of the Automatic Adjustment Formula (the “*Formula*”);
- (ii) permit recovery of additional costs payable to Newfoundland and Labrador Hydro (“*Hydro*”) for the supply of power as a result of a revised wholesale rate effective January 1, 2007;
- (iii) approve a revised rate stabilization adjustment to apply to the rates of Newfoundland Power for the period January 1, 2007 to June 30, 2007; and
- (iv) 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. By Order No. P.U. 39 (2006), the Board approved the forecast 2007 values for rate base of \$785,271,000 and invested capital of \$787,990,000 for use in the *Formula* to calculate Newfoundland Power's rate of return on rate base for 2007. By Order No. P.U. 40 (2006) the Board approved a 2007 rate of return on rate base for Newfoundland Power of 8.47 % as determined by the *Formula*.
3. By Order No. P.U. 21 (2006), the Board approved Newfoundland Power’s current *Customer Rates* to include rate stabilization and municipal tax adjustment factors for the period July 1, 2006 through June 30, 2007. The rate stabilization adjustment (“*RSA*”) factor approved by Order No. P.U. 21 (2006) was based upon Hydro’s then current Rate Stabilization Plan (“*RSP*”) adjustment.

4. Hydro filed a revised general rate application dated December 6, 2006 ("Hydro's Revised Application"). Hydro's Revised Application proposes, amongst other things, (i) increased purchased power costs for Newfoundland Power and, (ii) a revised RSP adjustment, both to be effective January 1, 2007.¹
5. Section 80 of the *Act* provides, in effect, that Customer Rates should be revised to reflect (i) the 2007 operation of the Formula, and (ii) any additional purchased power costs incurred by Newfoundland Power in 2007 resulting from the revisions proposed in Hydro's Revised Application which may be approved by the Board.

B. Proposed 2007 Customer Rates

6. In this Application, Newfoundland Power proposes to revise its Customer Rates effective January 1, 2007 to reflect (i) the 2007 operation of the Formula, (ii) the increase in purchased power costs resulting from Hydro's Revised Application, and (iii) the revised RSP adjustment.
7. Schedule 1 to this Application outlines the methodology used by Newfoundland Power to modify its 2007 Customer Rates as a result the matters described in paragraph 6 of this Application.
8. Schedule 2 to this Application is a proposed schedule of Customer Rates to apply to consumption on and after January 1, 2007.
9. It is just and reasonable for Newfoundland Power to recover the amount of the increase in its 2007 purchased power costs resulting from Hydro's Revised Application without further financial benefit or disadvantage. Accordingly, 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 2007 resulting from the revised wholesale purchased power rate proposed in Hydro's Revised Application.
10. Schedule 3 to this Application is a proposed Rate Stabilization Clause to be effective January 1, 2007.

¹ See paragraphs 6(4) and 6(5) of Hydro's Revised Application.

C. Order Requested

11. Newfoundland Power seeks an Order:

- (a) approving the Customer Rates set out in Schedule 2 to this Application, to apply to consumption on and after January 1, 2007;
- (b) approving an RSA factor of 0.444¢ per kWh to be applied to Customer Rates for the period January 1, 2007 to June 30, 2007; and
- (c) approving the Rate Stabilization Clause set out in Schedule 3 to this Application with effect from January 1, 2007.

D. Communications

12. Communication with respect to this Application should be forwarded to the attention of Peter Alteen and Gerard Hayes, Counsel to Newfoundland Power.

DATED at St. John's, Newfoundland and Labrador this 8th day of December, 2006.

NEWFOUNDLAND POWER INC.



Peter Alteen and Gerard Hayes
Counsel to Newfoundland Power Inc.
55 Kenmount Road
St. John's, Newfoundland
A1B 3P6
Telephone: 737-5859
Telecopier: 737-2974

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, 78 and 80 of the *Act* and
 Order No. P.U. 19 (2003) to revise its schedule of
 rates, rules and regulations ("*Customer Rates*") to:

- (i) reflect the revised rate of return on rate base for 2007 resulting from the operation of the Automatic Adjustment Formula (the "*Formula*");
- (ii) permit recovery of additional costs payable to Newfoundland and Labrador Hydro ("*Hydro*") for the supply of power as a result of a revised wholesale rate effective January 1, 2007;
- (iii) approve a revised rate stabilization adjustment to apply to the rates of Newfoundland Power for the period January 1, 2007 to June 30, 2007; and
- (iv) approve a revision to Newfoundland Power's Rate Stabilization Clause.

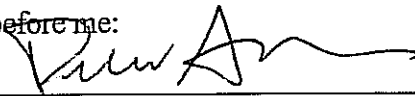
AFFIDAVIT

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, Regulatory Affairs 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.

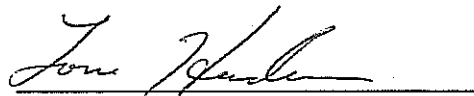
SWORN to before me at St. John's
 in the Province of Newfoundland and Labrador
 this 8th day of December, 2006,

before me:



Peter Alteen





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, 78 and 80 of the *Act* and
Order No. P.U. 19 (2003) to revise its schedule of
rates, rules and regulations (“*Customer Rates*”) to:

- (i) reflect the revised rate of return on rate base for 2007 resulting from the operation of the Automatic Adjustment Formula (the “*Formula*”);
- (ii) permit recovery of additional costs payable to Newfoundland and Labrador Hydro (“*Hydro*”) for the supply of power as a result of a revised wholesale rate effective January 1, 2007;
- (iii) approve a revised rate stabilization adjustment to apply to the rates of Newfoundland Power for the period January 1, 2007 to June 30, 2007; and
- (iv) approve a revision to Newfoundland Power’s Rate Stabilization Clause.

Proposed Changes to 2007 Customer Rates

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1.0 Overview

1.1 Current Customer Rates

In this Application, Newfoundland Power is requesting that the Board approve a change in customer rates for 2007. Implementing rate changes between Newfoundland Power's general rate applications requires that base rates be adjusted to reflect changes in test year revenue requirement.¹

Base rates are derived from Newfoundland Power's most recent test year revenue requirement.² Final rates are the rates used in billing customers ("Customer Rates"). Customer Rates are derived by applying the current rate stabilization and municipal tax adjustment factors ("RSA and MTA Factors") to base rates.

The RSA Factor 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 base rates and a current forecast cost of No. 6 fuel. The recovery adjustment factor primarily recovers fuel costs owing from customers including the RSP Historical Plan balance.³

Customer Rates currently reflect an MTA Factor of 1.02393 and an RSA Factor of 1.595¢ per kWh. The RSA Factor is based on a fuel rider adjustment of 0.905¢ per kWh and a recovery adjustment factor of 0.690¢ per kWh. Current Customer Rates were approved in Order No. P.U. 21 (2006) and became effective July 1, 2006.

1.2 Summary of Proposed Rate Changes

The January 1, 2007 rate change requested in this Application is based upon (i) the operation of the Automatic Adjustment Formula (the "Formula"), (ii) an increase in purchased power costs ("Purchased Power Costs") resulting from a revision to Hydro's wholesale rate⁴ and (iii) a change in the RSA Factor.

The cumulative customer impact of these changes is an average increase in Customer Rates of 0.07% effective January 1, 2007.

Appendix A shows the changes to test year revenue requirement that have occurred since Newfoundland Power's last general rate application including the rate change proposed in this Application.

This report sets out the methodology used to modify Customer Rates for 2007.

¹ This approach was followed in both the 2004 Flow-through Application approved by the Board in Order No. P.U. 19 (2004) (Amended) and the change in rates as a result of the operation of the Formula approved in Order No. P.U. 50 (2004).

² Base rates exclude the RSA and MTA Factors that are updated annually as these adjustment items are not revenue or expense items.

³ The recovery of the Historical Plan balance was approved in Order Nos. P.U. 7 (2002-2003) and P.U. 40 (2003).

⁴ Newfoundland and Labrador Hydro ("Hydro") filed a revised application dated December 6, 2006 to set rates for 2007 ("Hydro's Revised Application"). Hydro's Revised Application seeks to change the wholesale purchased power rate charged to Newfoundland Power effective January 1, 2007.

2.0 Changes in Rates

2.1 2007 Operation of the Formula

Currently, Customer Rates are based on a rate of return on rate base of 8.68%. The operation of the Formula for 2007 produced a rate of return on rate base of 8.47% in a range of 8.29% to 8.65%.

Table 1 shows the impact on test year revenue from rates of the reduced rate of return on rate base.

	2006	2007	Change (\$/%)
Revenue from Rates	\$400,769 ⁵	\$398,307 ⁶	(\$2,462) / (0.61%)

The average impact on Customer Rates of the reduced rate of return on rate base is a decrease of 0.51% from what Customer Rates otherwise would be.⁷ This reduction in rates has been applied uniformly to all rate classes and all components of rates including demand, energy and basic customer charges.

Appendix B, Column C shows the Formula adjustment applied to all rate components in base rates.

2.2 2007 Purchased Power Costs

2.2.1 Change in Purchased Power Costs

Hydro's Revised Application will increase Newfoundland Power's Purchased Power Costs in 2007. This is the result of (i) the resetting of the fuel rider to embed the fuel costs currently recovered in the RSP fuel rider into the wholesale rate charged to Newfoundland Power, and (ii) an increase in Hydro's costs to be recovered from Newfoundland Power.

The total increase in test year Purchased Power Costs is \$59,322,000.⁸ Approximately 75% of this increase is the result of embedding the fuel rider costs into Hydro's wholesale rate. The remaining 25% results from an increase in Hydro's costs.

The Application proposes to flow through increased Purchased Power Costs to Newfoundland Power's customers in accordance with existing regulatory practice. The Board has approved similar flow-through applications in Order Nos. P.U. 7 (1990), P.U. 22 (2002-2003) and P.U. 19 (2004) (Amended).⁹

⁵ Appendix A, Column E, line 1.

⁶ Appendix A, Column G, line 1.

⁷ The 0.61% change in test year revenue requirement is equivalent to a 0.51% (\$2,521,000 / \$490,563,000) change in Customer Rates due to the inclusion of the RSA and MTA amounts in Customer Rates. See Table 4.

⁸ See Table 2.

⁹ Section 80(2) of the *Public Utilities Act* allows Newfoundland Power to recover the cost of power purchased from Hydro as a reasonable and prudent expense. Sections 70(1) and 71 allow the Board to approve a revised Schedule of Rates, Rules and Regulations, including a revised RSA Clause, for Newfoundland Power to allow

Table 2 shows the increase in test year Purchased Power Costs resulting from Hydro's Revised Application.

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

	Existing	Proposed	Increase
Purchased Power Costs	\$249,793 ¹⁰	\$309,115 ¹¹	\$59,322

2.2.2 Change in Customer Rates

Resetting the Fuel Rider

Effective January 1, 2007 Hydro's fuel rider will be reset to zero and the fuel costs previously recovered through the fuel rider will be reflected in increased Purchased Power Costs. This reset will require a corresponding adjustment to Newfoundland Power's RSA factor.

The resetting of Newfoundland Power's RSA fuel rider adjustment from 0.905¢ per kWh to zero is offset by an increase in the energy rates included in the base rates of 0.905¢ per kWh. The result of this change is an increase in test year base rate revenue of \$44,444,000. Adjusting Customer Rates in this manner ensures the effects of resetting the fuel rider adjustment will be completely transparent and will effectively result in no customer rate impacts.

Appendix B, Column F shows the adjustment to base rates to reflect the resetting of the RSA fuel rider adjustment.

Hydro's Cost Increase

Equivalent increases are applied to the demand and energy components of base rates to recover the additional test year Purchased Power Costs due to the increase in Hydro's costs.¹² Street and Area Lighting rates are increased by approximately 1/3rd of the increase applied to other classes.¹³ This approach is consistent with the approach approved in Order No. P.U. 19 (2004) (Amended).¹⁴

an increase in revenues to offset the increase in purchased power costs flowing from the Hydro Revised Application.

¹⁰ Appendix A, Column C purchased power of \$251,524,000 less \$1,731,000 annual amortization of recovery of the balance in the Weather Normalization Reserve approved by Order No. P.U. 19 (2003).

¹¹ Dividing revenue from rates of \$319,054,050 by 4,925.8 GWh purchases from Hydro (Hydro's Revised Application, Schedule F, Table 4 and Schedule E, page 1 of 7) gives a purchased power unit cost of 6.477¢ per kWh. This is multiplied by 2004 test year purchases of 4772.5 GWh.

¹² Basic customer charges were not increased as the increase in Purchased Power Costs does not impact the customer-related costs that support the level of 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 were not changed.

¹³ Based upon the cost of service study underpinning current base rates, Purchased Power Costs comprise approximately 60% of Newfoundland Power's overall cost of providing service but only approximately 20% of the cost of providing Street and Area Lighting Service.

¹⁴ Order No. P.U. 19 (2004) (Amended) also approved the amendment of Newfoundland Power's Rate Stabilization Clause to allow any under-recovery or over-recovery of increased purchased power costs in 2004 resulting from the 2004 Hydro GRA Rate Order be debited or credited, as appropriate, to the RSA.

The average impact on Customer Rates of Hydro's cost increases is an increase of 3.1%.¹⁵ Appendix B, Column E shows the adjustment to base rates to recover Hydro's increased costs.

Proposed Base Rates

Appendix B, Column G shows the resulting proposed base rates reflecting the operation of the Formula and the changes in Purchased Power Costs.

2.3 Customer Rate Adjustment for RSA Change

As a result of the November 23, 2006 Agreement on Cost of Service, Rate Design and Other Issues (the "Agreement"), Hydro will make a special adjustment to the RSP effective January 1, 2007. The adjustment is based on crediting Newfoundland Power's portion of the \$20,700,000 forecast 2006 Hydraulic Production Variation component of the RSP to the Historical Plan balance.¹⁶ The effect of this adjustment is to reduce the RSP rate charged to Newfoundland Power by 2.53 mills per kWh or 0.253¢ per kWh effective January, 1, 2007.¹⁷

The Agreement provides for a corresponding adjustment to the RSA.¹⁸ This will reduce the amount of the Historical Plan balance currently being recovered from customers by 0.246¢ per kWh through the RSA.¹⁹ This will reduce test year customer billings by \$12,370,000 which effectively serves to reduce Customer Rates by approximately 2.5% from what they otherwise would be.²⁰

Table 3 provides the calculation of the revised RSA Factor, incorporating the fuel rider adjustment and recovery adjustment factor.

Table 3
Calculation of Revised RSA Factor

	Existing	Adjustment	Proposed
Fuel Rider Adjustment Reset	0.905¢ per kWh	(0.905¢ per kWh)	0.000¢ per kWh
Recovery Adjustment Factor	<u>0.690¢ per kWh</u>	(0.246¢ per kWh) ²¹	<u>0.444¢ per kWh</u>
RSA Factor	1.595¢ per kWh		0.444¢ per kWh

The Company is proposing that an RSA Factor of 0.444¢ per kWh be effective January 1, 2007.

Appendix C shows the conversion of proposed base rates from Appendix B, Column G to Customer Rates. The proposed Customer Rates include the proposed RSA Factor of 0.444¢ per kWh and the existing MTA Factor of 1.02393.

¹⁵ (\$15,234,000 / \$490,563,000 = 3.1%). See Table 4.

¹⁶ This one-time adjustment does not alter the five-year amortization period for the recovery of the Historical Plan balance approved in Order Nos. P.U. 7 (2002-2003) and P.U. 40 (2003).

¹⁷ Hydro Revised Application, Schedule C, page 9 of 10.

¹⁸ This is in accordance with the Agreement, Section 5(b).

¹⁹ The 0.246¢ per kWh is calculated based on the forecast RSP credit of \$11,839,659 (used to calculate the 0.253¢ per kWh Hydro RSP Credit) divided by forecast 2006 sales of 4,816.1 GWh.

²⁰ The RSP Special Adjustment and corresponding reduced municipal taxes divided by existing test year customer billings or (\$12,370,000 / \$490,563,000 = 2.5%). See Table 4.

²¹ The change in the recovery adjustment factor of the RSA to reflect the reduction in the Historical Plan balance.

3.0 Cumulative Customer Impact

The cumulative impact on Customer Rates of the Formula operation, the increased Purchased Power Costs and changes to the RSA as a result of Hydro's Revised Application is an average increase of 0.07%.

Table 4 shows a reconciliation of existing customer billings to proposed customer billings on a test year basis.

Table 4
Reconciliation of Customer Billings
(000s)

	Existing	Proposed Changes			Proposed
		Formula	Purchased Power Costs	RSA Adjustment	
Revenue from Rates	\$400,769 ²²	(2,462) ²²	\$59,322 ²³		\$457,629
RSA	78,329 ²⁴		(44,444) ²⁵	(12,081) ²⁶	21,804
MTA ²⁷	<u>11,465</u>	<u>(59)</u>	<u>\$356</u>	<u>(289)</u>	<u>11,473</u>
Customer Billings	\$490,563	(2,521)	\$15,234	(12,370)	\$490,906
Change (\$)					\$343
Change (%)		(0.51%)	3.10%	(2.52%)	0.07%

While the average increase in Customer Rates is 0.07%, individual customer impacts will vary depending on customer usage.

Appendix D provides a comparison of existing Customer Rates with proposed Customer Rates.

²² See Table 1.

²³ See Table 2.

²⁴ Based on July 1, 2006 RSA Factor of 1.595¢ per kWh approved in Order No. P.U. 21 (2006).

²⁵ The reduced RSA billings based on resetting the fuel rider adjustment from 0.905¢ per kWh to zero.

²⁶ The reduced RSA billings based on revising the recovery adjustment factor from 0.690¢ per kWh to 0.444¢ per kWh.

²⁷ July 1, 2006 effective MTA recovery rate of 2.393% based upon Order No. P.U. 21 (2006) times the total of base rate revenue and RSA charges.

NEWFOUNDLAND POWER INC.

Test Year Revenue Requirement
Continuity Schedule
(000s)

	2003 GRA ¹	Hydro 2004 Flow Through ²		2005 Formula ³		2007 Formula		Hydro 2007 Flow Through		
	2004 Test Year	Adjustments	Test Year	Adjustments	Test Year	Adjustments	Test Year	Adjustments	Test Year	
	A	B	C	D	E	F	G	H	I	
1	Revenue From Rates	\$ 381,688	\$ 21,238	\$ 402,926	\$ (2,157)	\$ 400,769	\$ (2,462)	\$ 398,307	\$ 59,322	\$ 457,629
2	Purchased Power	230,286	21,238	251,524		251,524		251,524	59,322	310,846
3	Contribution	151,402	-	151,402		149,245		146,783	-	146,783
4										
5	Other Revenue	8,593	-	8,593		8,593		8,593	-	8,593
6										
7	Other Expenses									
8	Operating Expenses	52,434	-	52,434		52,434		52,434	-	52,434
9	Depreciation	30,589	-	30,589		30,589		30,589	-	30,589
10	Income Tax	15,249	-	15,249	(738)	14,511	(986)	13,525	-	13,525
11		98,272		98,272		97,534		96,548		96,548
12										
13	Net Earnings Before Finance Charges	61,723	-	61,723		60,304		58,828	-	58,828
14										
15										
16	Add Non-Deductable Expenses (Net of Tax)	725	-	725		725		725	-	725
17										
18										
19	Regulated Return On Rate Base	\$ 62,448	\$ -	\$ 62,448	\$ (1,419)	\$ 61,029	\$ (1,476)	\$ 59,553	\$ -	\$ 59,553
20										

¹ Order Nos. P.U. 19(2003) and P.U. 23(2003).

² Order No. P.U. 19(2004) (Amended).

³ Order No. P.U. 50(2004).

NEWFOUNDLAND POWER INC.

Conversion of Existing Base Rates to Proposed Base Rates

Rate Class	Existing ¹ Base Rate	Formula Adjustment	Formula Adjusted Base Rate	Hydro Flow-Through		Proposed Base Rate
				Cost Increase	RSA Reset	
A	B	C	D	E	F	G
Rate #1.1: Domestic Service						
Basic Customer Charge (B.C.C.) ²	\$15.34	-\$0.09	\$15.25	-	-	\$15.25
Energy Charge - All kilowatt hours (¢/kWh)	7.092	-0.043	7.049	0.321	0.905	8.275
Minimum Monthly Charge	\$15.34	-\$0.09	\$15.25	-	-	\$15.25
Rate #2.1: General Service 0-10 kW						
Basic Customer Charge (B.C.C.) ²	\$17.60	-\$0.11	\$17.49	-	-	\$17.49
Energy Charge - All kilowatt hours (¢/kWh)	9.432	-0.058	9.374	0.464	0.905	10.743
Minimum Monthly Charge						
Single phase	\$17.60	-\$0.11	\$17.49	-	-	\$17.49
Three phase	\$35.20	-\$0.22	\$34.98	-	-	\$34.98
Rate #2.2: General Service 10-100 kW						
Basic Customer Charge (B.C.C.) ²	\$20.24	-\$0.12	\$20.12	-	-	\$20.12
Demand Charge (per kW)						
Winter	\$8.16	-\$0.05	\$8.11	\$0.32	-	\$8.43
Other	\$7.43	-\$0.05	\$7.38	\$0.32	-	\$7.70
Energy Charge (¢/kWh)						
First 150 kWh/kW of billing demand	7.293	-0.044	7.249	0.290	0.905	8.444
All Excess kWh	4.455	-0.026	4.429	0.175	0.905	5.509
Maximum Energy Charge (¢/kWh)	15.0	-0.1	14.9	0.6	-	15.5
Minimum Monthly Charge	\$20.24	-\$0.12	\$20.12	-	-	\$20.12
Three phase, not less than	\$35.20	-\$0.22	\$34.98	-	-	\$34.98

¹ Existing Base Rates are those used to establish customer rates approved by Order No. P.U. 21 (2006). See: *Final Customer Rate Reconciliation (Rates proposed for July 1, 2006)* filed with Newfoundland Power's June 14, 2006 Application for Approval of Rate Stabilization and Municipal Tax Adjustments to be effective July 1, 2006.

² Newfoundland Power's Basic Customer Charges are not proposed to increase as a result of the Flow-through related to Newfoundland and Labrador Hydro's 2006 General Rate Application.

NEWFOUNDLAND POWER INC.

Conversion of Existing Base Rates to Proposed Base Rates

Rate Class	Existing ¹ Base Rate	Formula Adjustment	Formula Adjusted Base Rate	Hydro Flow-Through		Proposed Base Rate
				Cost Increase	RSA Reset	
A	B	C	D	E	F	G
Rate #2.3: General Service 110-1000 kVA						
Basic Customer Charge (B.C.C.) ²	\$91.12	-\$0.56	\$90.56	-	-	\$90.56
Demand Charge (per kVA)						
Winter	\$7.06	-\$0.04	\$7.02	\$0.26	-	\$7.28
Other	\$6.33	-\$0.04	\$6.29	\$0.26	-	\$6.55
Energy Charge (¢/kWh)						
First 150 kWh/kVA						
of billing demand (max. 30,000 kWh)	6.931	-0.043	6.888	0.274	0.905	8.067
All Excess kWh	4.336	-0.027	4.309	0.170	0.905	5.384
Maximum Energy Charge (¢/kWh)	15.0	-0.1	14.9	0.6	-	15.5
Minimum Monthly Charge	\$91.12	-\$0.56	\$90.56	-	-	\$90.56
Rate #2.4: General Service 1000 kVA and Over						
Basic Customer Charge (B.C.C.) ²	\$182.25	-\$1.12	\$181.13	-	-	\$181.13
Demand Charge (per kVA)						
Winter	\$6.69	-\$0.04	\$6.65	\$0.23	-	\$6.88
Other	\$5.96	-\$0.04	\$5.92	\$0.23	-	\$6.15
Energy Charge (¢/kWh)						
First 100,000 kWh	5.624	-0.035	5.589	0.218	0.905	6.712
All Excess kWh	4.236	-0.026	4.210	0.163	0.905	5.278
Maximum Energy Charge (¢/kWh)	15.0	-0.1	14.9	0.6	-	15.5
Minimum Monthly Charge	\$182.25	-\$1.12	\$181.13	-	-	\$181.13

¹ Existing Base Rates are those used to establish customer rates approved by Order No. P.U. 21 (2006). See: *Final Customer Rate Reconciliation (Rates proposed for July 1, 2006)* filed with Newfoundland Power's June 14, 2006 Application for Approval of Rate Stabilization and Municipal Tax Adjustments to be effective July 1, 2006.

² Newfoundland Power's Basic Customer Charges are not proposed to increase as a result of the Flow-through related to Newfoundland and Labrador Hydro's 2006 General Rate Application.

NEWFOUNDLAND POWER INC.

Conversion of Existing Base Rates to Proposed Base Rates

Rate Class A	Existing ¹ Base Rate B	Formula Adjustment C	Formula Adjusted Base Rate D	Hydro Flow-Through		Proposed Base Rate G
				Cost Increase E	RSA Reset F	
1 Rate #4.1: Street and Area Lighting Service³						
2						
3 <i>Sentinel/Standard Fixtures</i>						
4						
5 <i>High Pressure Sodium</i>						
6 100W	\$13.48	-\$0.08	\$13.40	\$0.22	\$0.46	\$14.08
7 150W	\$16.61	-\$0.10	\$16.51	\$0.27	\$0.68	\$17.46
8 250W	\$21.60	-\$0.13	\$21.47	\$0.35	\$1.03	\$22.85
9 400W	\$28.02	-\$0.17	\$27.85	\$0.46	\$1.50	\$29.81
10 <i>Mercury Vapour</i>						
11 175W	\$13.48	-\$0.08	\$13.40	\$0.22	\$0.46	\$14.08
12 250W	\$16.61	-\$0.10	\$16.51	\$0.27	\$0.68	\$17.46
13 400W	\$21.60	-\$0.13	\$21.47	\$0.35	\$1.03	\$22.85
14						
15 <i>Post Top Fixtures</i>						
16						
17 <i>High Pressure Sodium 100W</i>	\$13.95	-\$0.09	\$13.86	\$0.23	\$0.46	\$14.55
18 <i>Mercury Vapor 175W</i>	\$13.95	-\$0.09	\$13.86	\$0.23	\$0.46	\$14.55
19						
20						
21 Poles⁴						
22						
23 Wood	\$6.33	-\$0.04	\$6.29	\$0.00	\$0.00	\$6.29
24 30' Concrete or Metal, direct buried	\$9.90	-\$0.06	\$9.84	\$0.00	\$0.00	\$9.84
25 45' Concrete or Metal, direct buried	\$16.26	-\$0.10	\$16.16	\$0.00	\$0.00	\$16.16
26 25' Concrete or Metal, Post Top, direct burie	\$8.02	-\$0.05	\$7.97	\$0.00	\$0.00	\$7.97
27						
28 Underground Wiring (per run)³						
29						
30 All sizes and types of fixtures	\$13.14	-\$0.08	\$13.06	\$0.00	\$0.00	\$13.06

¹ Existing Base Rates are those used to establish customer rates approved by Order No. P.U. 21 (2006). See: *Final Customer Rate Reconciliation (Rates proposed for July 1, 2006)* filed with Newfoundland Power's June 14, 2006 Application for Approval of Rate Stabilization and Municipal Tax Adjustments to be effective July 1, 2006.

³ Changes to charges for Street and Area Lighting Service resulting from the Flow-through related to Newfoundland and Labrador Hydro's 2006 General Rate Application reflect the lower impact of purchased power expense on costs for this rate class.

⁴ No changes to Poles or Underground Wiring charges result from the Flow-through related to Newfoundland and Labrador Hydro's 2006 General Rates Application as Newfoundland Power's costs associated with Poles and Underground Wiring are not affected by changes in purchased power expense.

NEWFOUNDLAND POWER INC.

Conversion of Proposed Base Rates to Proposed Customer Rates

Rate Class A	Proposed Base Rate B	Calculation C	Proposed Customer Rate D	
1	Rate #1.1: Domestic Service			
2				
3	Basic Customer Charge (B.C.C.)	\$15.25	$[(\$15.25 - \$1.00) \times 1.02393] + \1.00	\$15.59
4				
5	Energy Charge - All kilowatt hours (¢/kWh)	8.275	$[8.275 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	8.935
6				
7	Minimum Monthly Charge	\$15.25	Same as B.C.C.	\$15.59
8				
9				
10	Rate #2.1: General Service 0-10 kW			
11				
12	Basic Customer Charge (B.C.C.)	\$17.49	$[(\$17.49 - \$1.00) \times 1.02393] + \1.00	\$17.88
13				
14	Energy Charge - All kilowatt hours (¢/kWh)	10.743	$[10.743 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	11.462
15				
16	Minimum Monthly Charge			
17	- single phase	\$17.49	Same as B.C.C.	\$17.88
18	- three phase	\$34.98	2 × B.C.C.	\$35.76
19				
20				
21	Rate #2.2: General Service 10-100 kW			
22				
23	Basic Customer Charge (B.C.C.)	\$20.12	$\$20.12 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	\$20.60
24				
25	Demand Charge (per kW)			
26	Winter	\$8.43	Other plus \$0.75	\$8.63
27	Other	\$7.70	$\$7.70 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	\$7.88
28				
29	Energy Charge (¢/kWh)			
30	First 150 kWh/kW of billing demand	8.444	$[8.444 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	9.108
31	All Excess kWh	5.509	$[5.509 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	6.102
32				
33	Maximum Energy Charge (¢/kWh)	15.5 + B.C.C.	$15.5 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	15.9 + B.C.C.
34				
35	Minimum Monthly Charge			
36	Single Phase	\$20.12	Same as B.C.C.	\$20.60
37	Three Phase	\$34.98	Same as Rate 2.1 Minimum Monthly Charge	\$35.76

NEWFOUNDLAND POWER INC.

Conversion of Proposed Base Rates to Proposed Customer Rates

Rate Class A	Proposed Base Rate B	Calculation C	Proposed Customer Rate D	
1	Rate #2.3: General Service 110-1000 kVA			
2				
3	Basic Customer Charge (B.C.C.)	\$90.56	$\$90.56 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	\$92.73
4				
5	Demand Charge (per kVA)			
6	Winter	\$7.28	Other plus \$0.75	\$7.46
7	Other	\$6.55	$\$6.55 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	\$6.71
8				
9	Energy Charge (¢/kWh)			
10	First 150 kWh/kVA			
11	of billing demand (max. 30,000 kWh)	8.067	$[8.067 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	8.722
12	All Excess kWh	5.384	$[5.384 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	5.974
13				
14	Maximum Energy Charge (¢/kWh)	15.5 + B.C.C	$15.5 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	15.9 + B.C.C.
15				
16	Minimum Monthly Charge	\$90.56	Same as B.C.C.	\$92.73
17				
18				
19	Rate #2.4: General Service 1000 kVA and Over			
20				
21	Basic Customer Charge (B.C.C.)	\$181.13	$\$181.13 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	\$185.46
22				
23	Demand Charge (per kVA)			
24	Winter	\$6.88	Other plus \$0.75	\$7.05
25	Other	\$6.15	$\$6.15 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	\$6.30
26				
27	Energy Charge (¢/kWh)			
28	First 100,000 kWh	6.712	$[6.712 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	7.334
29	All Excess kWh	5.278	$[5.278 \times (1 - 0.015) + 0.444] \times 1.02393 \times [1 / (1 - 0.015)]$	5.866
30				
31	Maximum Energy Charge (¢/kWh)	15.5 + B.C.C	$15.5 \times (1 - 0.015) \times 1.02393 \times [1 / (1 - 0.015)]$	15.9 + B.C.C.
32				
33	Minimum Monthly Charge	\$181.13	Same as B.C.C.	\$185.46

NEWFOUNDLAND POWER INC.

Conversion of Proposed Base Rates to Proposed Customer Rates

Rate Class	Proposed Base Rate	Monthly kWh	Calculation	Proposed Customer Rate	
A	B	C	D	E	
1	Rate #4.1: Street and Area Lighting Service				
2					
3	<i>High Pressure Sodium</i>				
4	HPS 100 W Sentinel/Standard	\$14.08	51	$[14.08 + (51 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$14.65
5	HPS 100 W Post Top	\$14.55	51	$[14.55 + (51 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$15.13
6	HPS 150 W Sentinel/Standard	\$17.46	75	$[17.46 + (75 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$18.22
7	HPS 250 W Sentinel/Standard	\$22.85	114	$[22.85 + (114 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$23.92
8	HPS 400 W Sentinel/Standard	\$29.81	166	$[29.81 + (166 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$31.28
9					
10	<i>Mercury Vapour</i>				
11	MV 175 W Sentinel/Standard	\$14.08	51	$[14.08 + (51 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$14.65
12	MV 175 W Post Top	\$14.55	51	$[14.55 + (51 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$15.13
13	MV 250 W Sentinel/Standard	\$17.46	75	$[17.46 + (75 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$18.22
14	MV 400 W Sentinel/Standard	\$22.85	114	$[22.85 + (114 \times 0.444 \text{ ¢/kWh})] \times 1.02393$	\$23.92
15					
16					
17	Poles				
18					
19	Wood	\$6.29		6.29×1.02393	\$6.44
20	30' Concrete or Metal	\$9.84		9.84×1.02393	\$10.08
21	45' Concrete or Metal	\$16.16		16.16×1.02393	\$16.55
22	25' Concrete or Metal, Post Top	\$7.97		7.97×1.02393	\$8.16
23					
24					
25	Underground Wiring (per run)				
26					
27	All sizes and types of fixtures	\$13.06		13.06×1.02393	\$13.37

NEWFOUNDLAND POWER INC.

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

<u>Rate Class</u>	<u>Existing</u>	<u>Proposed</u>
<u>Domestic - Rate #1.1</u>		
Basic Customer Charge (B.C.C.)	\$15.68/month	\$15.59/month
Energy Charge - All kilowatt hours	8.920 ¢/kWh	8.935 ¢/kWh
Minimum Monthly Charge	\$15.68/month	\$15.59/month
Prompt Payment Discount	1.5% (min. \$1)	1.5% (min. \$1)
<u>General Service 0-10 kW - Rate #2.1</u>		
Basic Customer Charge (B.C.C.)	\$18.00/month	\$17.88/month
Energy Charge - All kilowatt hours	11.316 ¢/kWh	11.462 ¢/kWh
Minimum Monthly Charge		
- single phase	\$18.00/month	\$17.88/month
- three phase	\$36.00/month	\$35.76/month
Prompt Payment Discount	1.5% (min. \$1)	1.5% (min. \$1)
<u>General Service 10-100 kW - Rate #2.2</u>		
Basic Customer Charge (B.C.C.)	\$20.72/month	\$20.60/month
Demand Charge	\$8.36/kW-winter \$7.61/kW-other	\$8.63/kW-winter \$7.88/kW-other
Energy Charge		
First 150 kWh/kW of billing demand	9.126 ¢/kWh	9.108¢/kWh
All Excess kWh	6.220 ¢/kWh	6.102 ¢/kWh
Maximum Monthly Charge	15.4 ¢/kWh + B.C.C.	15.9 ¢/kWh + B.C.C.
Minimum Monthly Charge		
- three phase, not less than	\$20.72/month \$36.00/month	\$20.60/month \$35.76/month
Prompt Payment Discount	1.5% (min. \$1)	1.5% (min. \$1)

NEWFOUNDLAND POWER INC.

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

<u>Rate Class</u>	<u>Existing</u>	<u>Proposed</u>
<u>General Service 110-1000 kVA - Rate #2.3</u>		
Basic Customer Charge (B.C.C.)	\$93.30/month	\$92.73/month
Demand Charge	\$7.23/kVA-winter \$6.48/kVA-other	\$7.46/kVA-winter \$6.71/kVA-other
Energy Charge		
First 150 kWh/kVA of billing demand (max. 30,000 kWh)	8.755 ¢/kWh	8.722 ¢/kWh
All Excess kWh	6.098 ¢/kWh	5.974 ¢/kWh
Maximum Monthly Charge	15.4 ¢/kWh + B.C.C.	15.9 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$93.30/month	\$92.73/month
Prompt Payment Discount	1.5% (max. \$500)	1.5% (max. 500)
<u>General Service 1000 kVA and Over - Rate #2.4</u>		
Basic Customer Charge (B.C.C.)	\$186.61/month	\$185.46/month
Demand Charge	\$6.85/kVA-winter \$6.10/kVA-other	\$7.05/kVA-winter \$6.30/kVA-other
Energy Charge		
First 100,000 kWh	7.417 ¢/kWh	7.334 ¢/kWh
All Excess kWh	5.995 ¢/kWh	5.866 ¢/kWh
Maximum Monthly Charge	15.4 ¢/kWh + B.C.C.	15.9 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$186.61/month	\$185.46/month
Prompt Payment Discount	1.5% (max. \$500)	1.5% (max. 500)

NEWFOUNDLAND POWER INC.

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

<u>Rate Class</u>	<u>Existing</u>	<u>Proposed</u>
<u>Street and Area Lighting</u>		
<u>Sentinel/Standard Fixtures</u>		
High Pressure Sodium - 100W	\$14.63	\$14.65
- 150W	\$18.24	\$18.22
- 250W	\$23.98	\$23.92
- 400W	\$31.40	\$31.28
Mercury Vapour - 175W	\$14.63	\$14.65
- 250W	\$18.24	\$18.22
- 400W	\$23.98	\$23.92
<u>Post Top Fixtures</u>		
High Pressure Sodium - 100W	\$15.11	\$15.13
Mercury Vapour - 175W	\$15.11	\$15.13
<u>Poles</u>		
Wood	\$6.48	\$6.44
30' Concrete or Metal, direct buried	\$10.14	\$10.08
45' Concrete or Metal, direct buried	\$16.65	\$16.55
25' Concrete or Metal, Post Top, direct buried	\$8.21	\$8.16
<u>Underground Wiring (per run)</u>		
All sizes and types of fixtures	\$13.45	\$13.37

NEWFOUNDLAND POWER INC.

Schedule of Rates, Tolls and Charges

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: \$15.59 per month

Energy Charge:

All kilowatt-hours @ 8.935¢ per kWh

Minimum Monthly Charge \$15.59 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, 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.

Schedule of Rates, Tolls and Charges

NEWFOUNDLAND POWER INC.

RATE #2.1

GENERAL SERVICE 0-10 kW

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$17.88 per month

Energy Charge:

All kilowatt-hours @ 11.462 ¢ per kWh

Minimum Monthly Charge, Single Phase \$17.88 per month

Three Phase \$35.76 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, 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.

Schedule of Rates, Tolls and Charges

NEWFOUNDLAND POWER INC.
RATE #2.2
GENERAL SERVICE 10-100 kW (110 kVA)

Availability:

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater but less than 100 kilowatts (110 kilovolt-amperes).

Rate: (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: \$20.60 per month

Demand Charge:

\$8.63 per kW of billing demand in the months of December, January, February and March and \$7.88 per kW 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 kW of billing demand..... @ 9.108 ¢ per kWh
All excess kilowatt-hours..... @ 6.102 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.9 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge.

Minimum Monthly Charge:

Single Phase \$20.60 per month
Three Phase \$35.76 per month

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00, 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.

Schedule of Rates, Tolls and Charges

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: \$92.73 per month

Demand Charge:

\$7.46 per kVA of billing demand in the months of December, January, February and March and \$6.71 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 30,000 kilowatt-hours @ 8.722 ¢ per kWh
All excess kilowatt-hours @ 5.974 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.9 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 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.

Schedule of Rates, Tolls and Charges

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: \$185.46 per month

Demand Charge:

\$7.05 per kVA of billing demand in the months of December, January, February and March and \$6.30 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 100,000 kilowatt-hours @ 7.334 ¢ per kWh

All excess kilowatt-hours @ 5.866 ¢ per kWh

Maximum Monthly Charge:

The Maximum Monthly Charge shall be 15.9 cents per kWh plus the Basic Customer Charge.

Discount:

A discount of 1.5% of the amount of the current month's bill, up to a maximum of \$500.00 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.

Schedule of Rates, Tolls and Charges

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)	\$14.65	\$15.13
150W (14,400 lumens)	18.22	-
250W (23,200 lumens)	23.92	-
400W (45,000 lumens)	31.28	-

* For all new installations and replacements.

Mercury Vapour

175W (7,000 lumens)	\$14.65	\$15.13
250W (9,400 lumens)	18.22	-
400W (17,200 lumens)	23.92	-

Special poles used exclusively for lighting service**

Wood	\$ 6.44
30' Concrete or Metal, direct buried	10.08
45' Concrete or Metal, direct buried	16.55
25' Concrete or Metal, Post Top, direct buried	8.16

Underground Wiring (per run)**

All sizes and types of fixtures	\$13.37
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** 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.

Schedule of Rates, Tolls and Charges

**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)

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

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.

NEWFOUNDLAND POWER INC.

Schedule of Rates, Tolls and Charges

**NEWFOUNDLAND POWER INC.
CURTAILABLE SERVICE OPTION
(for Rates #2.3 and #2.4 only)**

The Company shall request the Customer to Curtail at least 1 hour prior to the commencement of the Curtailment period.

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:

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

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:

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

4. On December 31st, 2007, 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 wholesale rate change, effective January 1, 2007, 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 by Hydro effective January 1, 2007.

The methodology to calculate the RSA adjustment at December 31, 2007 is as follows:

Calculation of increase in Revenue:

2007 Revenue with Flow-through (Q)	\$ -
2007 Revenue without Flow-through (R)	<u>\$ -</u>
Increase in Revenue (S = Q - R)	\$ -

Calculation of increase in Purchased Power Expense:

2007 Purchased Power Expense with Hydro Increase (T)	\$ -
2007 Purchased Power Expense without Hydro Increase (U)	<u>\$ -</u>
Increase in Purchased Power Expense (V = T - U)	\$ -

Adjustment to Rate Stabilization Account (W = S - V)	\$ -
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Where:

- Q = Normalized revenue from base rates effective January 1, 2007.
R = Normalized revenue from base rates determined based on rates pursuant to the operation of the Automatic Adjustment Formula for 2007.
T = Normalized purchased power expense from Hydro's wholesale rate effective January 1, 2007 (not including RSP rate).
U = Normalized purchased power expense determined based on Hydro's wholesale rate effective January 1, 2006 (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.