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P. U. 1(2006)

IN THE MATTER OF the *Public Utilities Act*, (R.S.N.L.) 1990, Chapter P-47 (the “*Act*”), and

AND

IN THE MATTER OF an Application dated January 18, 2006 by Newfoundland and Labrador Hydro (“Hydro”) for the approval, pursuant to Sections 70, 71 and 75 of the Act, of certain rules, regulations and rates pertaining to the supply of electrical power and energy to one of its industrial customers, Aur Resources Inc.

WHEREAS Hydro is a corporation continued and existing under the *Hydro Corporation Act*, is a public utility within the meaning of the Act and is subject to the provisions of the *Electrical Power Control Act, 1994*; and

WHEREAS by Order No. P.U. 7 (2002-2003) the Board approved, *inter alia*, the “Service Agreements” for each of Hydro’s Island Industrial Customers, which constitute the rules and regulations under which Hydro provides service to them; and

WHEREAS these Service Agreements were subsequently amended by Board Order Nos. P.U. 11 (2002-2003), P.U. 12 (2002-2003) and P.U. 6 (2003); and

1 **WHEREAS** by Board Order Nos. P.U. 3 (2005) and P.U. 12 (2005) the Board approved capital
2 monies to be spent by Hydro, and to be recovered from Aur Resources Inc., a new intended
3 Island Industrial Customer for Hydro, for the engineering and construction of a transmission
4 interconnection for the Duck Pond Mine being developed by Aur Resources Inc.; and

5
6 **WHEREAS** Hydro and Aur Resources Inc. have negotiated and entered into a Service
7 Agreement that is, in most respects, consistent with the Service Agreements approved by the
8 Board for the other Island Industrial Customers, and Hydro has applied for, *inter alia*, the
9 approval of that Service Agreement; and

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11 **WHEREAS** Hydro has applied to have the Island Industrial Firm Rates amended so as to
12 exempt Aur Resources Inc. from any obligation of paying the Historical Plan Balance of the Rate
13 Stabilization Plan that is payable by the other Island Industrial Customers; and

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15 **WHEREAS** Hydro does not propose to charge Aur Resources Inc. a Specifically Assigned
16 Charge at this time because such a charge cannot be accurately determined for any one customer
17 on a consistent basis in the absence of an approved cost of service study, and because Hydro has
18 entered into an agreement with Aur Resources Inc. whereby it already recovers the capital costs
19 associated with the transmission interconnection as approved by the Board under Order Nos.
20 P.U. 3(2005) and P.U. 12(2005); and

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1 **WHEREAS** Hydro has applied for an order to establish interim rates for Aur Resources Inc.
2 which would be the same as the rates charged to the other members of the Industrial Customers
3 class including the adjustment for the Historical Plan Balance of the Rate Stabilization Plan
4 except that it would not include a Specifically Assigned Charge; and

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6 **WHEREAS** Aur Resources Inc. has consented to the making of the within application but other
7 interested persons have not had an opportunity to provide their comments; and

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9 **WHEREAS** Hydro filed this application on January 18, 2006 and has advised that it intends to
10 begin the provision of electrical service on or after January 20, 2006; and

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12 **WHEREAS** in the circumstances, the Board is not satisfied that the issues arising from Hydro's
13 proposal to exclude a Specifically Assigned Charge for Aur Resources Inc. have been fully
14 canvassed; and

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16 **WHEREAS** the Board is satisfied that in the existing circumstances for the purposes of the
17 interim rates application the provision of electrical service to Aur Resources Inc should be made
18 at rates and in a manner consistent with that of the other members of the Industrial Customers
19 class, which would require that it be charged a Specifically Assigned Charge until the matter can
20 be more fully addressed; and

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22 **WHEREAS** Hydro, in response to Information Request PUB 6.0 NLH, has provided an estimate
23 of an order of magnitude figure for operating and maintenance expense related to Specifically

1 Assigned Costs for Aur Resources Inc. for approximately \$150,000 to \$200,000 per annum
2 based on existing methodology; and

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4 **WHEREAS** the Board has considered the Application for interim rates only, leaving the other
5 aspects of the Application to be addressed in a subsequent order of the Board.

6

7 **IT IS THEREFORE ORDERED THAT:**

8 1. Unless and until varied by further order of the Board, the Board approves, pursuant to
9 section 75 of the Act:

10 a. Interim Firm Rates for Aur Resources Inc., attached hereto as Schedule "A", to be
11 effective for consumption on or after Jan. 20, 2006;

12 b. Interim Non-Firm Rates for Aur Resources Inc., attached hereto as Schedule "B",
13 to be effective for consumption on or after Jan. 20, 2006.

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15 2. Hydro shall pay the expenses of the Board incurred in connection with this matter.

1 **Dated** at St. John's, Newfoundland and Labrador, this 20th day of January 2006.

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Robert Noseworthy
Chair & Chief Executive Officer

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Darlene Whalen, P.Eng.
Vice-Chair

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G. Cheryl Blundon
Board Secretary

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NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM
AUR RESOURCES INC. - INTERIM

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.17 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate*@	2.675	¢ per kWh
RSP Adjustment.....	@	1.217	¢ per kWh
Energy Rate.....	@	3.892	¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Specifically Assigned Charges:

The specifically assigned charges for customer plant in service that is specifically assigned to Aur Resources Inc. shall be \$150,000 per annum.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements signed with other Members of the Industrial Customer class.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – NON-FIRM
AUR RESOURCES INC. - INTERIM

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2002 (3.21%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.