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P. U. 20(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 by Newfoundland and Labrador Hydro (“Hydro”) for the approval, pursuant to Section 70 (1) of the *Act*, of the Rate Stabilization Plan component of the rates to be charged to Newfoundland Power Inc. (Newfoundland Power).

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 also subject to the provisions of the *Electrical Power Control Act, 1994*; and

WHEREAS Order No. P. U. 40(2003) sets out the manner by which the Rate Stabilization Plan (“RSP”) is calculated and applied to the rates charged by Hydro to Newfoundland Power and to its Island Industrial Customers; and

1 **WHEREAS** in accordance with Order No. P. U. 40(2003), on April 12, 2006 Hydro filed with
2 the Board, Newfoundland Power and its Island Industrial Customers the forecast fuel price
3 change, the resulting fuel rider, and the RSP Rate to be applied to Newfoundland Power's rates,
4 effective July 1, 2006, together with detailed supporting calculations as set out in Schedule A of
5 Hydro's filing; and

6
7 **WHEREAS** the calculation of the RSP fuel price projection provided in Hydro's April 12, 2006
8 filing included a forecast containing the cost per barrel of 1% sulphur content No. 6 fuel for the
9 Holyrood Thermal Generating Station; and

10

11 **WHEREAS** Hydro filed an application with the Board on January 20, 2006 seeking an order
12 approving, pursuant to s. 71 of the *Act*, inclusion of the costs of Hydro's purchases of 1%
13 sulphur content fuel as prudent operating expenses to be recovered by Hydro through the RSP;
14 and

15

16 **WHEREAS** in Order No. P.U. 16 (2006), issued on June 2, 2006, the Board denied Hydro's
17 application to recover those expenses; and

18

19 **WHEREAS** on June 7, 2006 Hydro filed a revised RSP fuel price projection based on the
20 continued use of 2% sulphur content fuel at the Holyrood Thermal Generating Station; and

21

1 **WHEREAS** Hydro has requested approval of the rates to be charged Newfoundland Power to be
2 effective for consumption on or after July 1, 2006, as set out in Schedule B of its amended
3 application; and

4
5 **WHEREAS** Hydro has also applied for approval of a modification to the fuel rider to reflect a
6 reduction in the amount of No. 6 fuel forecast to be consumed at the Holyrood Generating
7 Station to reflect a significant reduction in load due to the shutdown of Abitibi Consolidated Inc.
8 - Stephenville Division, as set out in Schedule C to the application; and

9
10 **WHEREAS** the Board has considered Hydro's application and the information and calculations
11 contained therein and is satisfied that the proposed rates to Newfoundland Power and the
12 proposed reduction in the 2004 Test Year No. 6 fuel forecast are reasonable and necessary and
13 will allow Hydro to manage the RSP balance in accordance with Order No. P. U. 40(2003).

14
15 **IT IS THEREFORE ORDERED THAT:**

- 16
17 1. The Board hereby approves the Rates to be charged by Hydro to Newfoundland Power as
18 attached hereto as Schedule A to be effective for consumption on or after July 1, 2006.
- 19 2. The Board hereby approves the modification to the fuel rider component of the RSP to
20 reflect a reduction in the amount of No. 6 Fuel forecast to be consumed at the Holyrood
21 Generating Station.
- 22 3. Hydro shall pay the expenses of the Board incurred in connection with this matter.

23

1 **DATED** at St. John's, Newfoundland and Labrador, this 21st day of June 2006.

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Robert Noseworthy
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

G. Cheryl Blundon
Board Secretary

Schedule “A”

Order No. P. U. 20 (2006)

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY

Availability:

This rate is applicable to service to Newfoundland Power (NP).

Definitions:

"Billing Demand"

In the Months of January through March, billing demand shall be the greater of:

- (a) the highest Native Load less the Generation Credit, beginning in the previous December and ending in the current Month; and
- (b) the Minimum Billing Demand.

In the Months of April through December, billing demand shall be the greater of:

- (a) the Weather-Adjusted Native Load less the Generation Credit, plus the Weather Adjustment True-up; and
- (b) the Minimum Billing Demand.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	81,550
Thermal Generation Credit	<u>43,900</u>
Total Generation Credit	125,450

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, Newfoundland Power will be provided an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY (Continued)

“Maximum Native Load” means the maximum Native Load of NP in the four-Month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

“Native Load” is the sum of:

- (a) the amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen minute period thereafter; and
- (b) the total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load
plus (Weather Adjustment, rounded to 3 decimal places, x 1000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- (a) the greater of:
 - the Weather Adjusted Native Load less the Generation Credit, times three; and
 - the Minimum Billing Demand, times three; and
- (b) the sum of the actual billed demands in the Months of January, February and March of the current year.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY (Continued)

Monthly Rates:

Billing Demand Charge:

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

\$5.64 per kW of billing demand

Energy Charge:

First 250,000,000 kilowatt-hours* @ 3.171 ¢ per kWh
All excess kilowatt-hours* @ 4.700 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by
Corner Brook Pulp and Paper Limited* @ 0.600 ¢ per kWh

RSP Adjustment:

All kilowatt-hours @ 1.616 ¢ 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.

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 to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses:

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering, shall be applied to the metered demand.

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (Continued)

Weather Adjustment: This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- (a) Weather adjustment shall be undertaken for NP's actual Maximum Native Load.
- (b) Weather adjustment shall be derived from Hydro's general NP native peak demand forecasting model.
- (c) By September 30th of each year, Hydro shall provide NP with updated weather adjustment coefficient incorporating the latest year of actuals.
- (d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to Environment Canada's weather station data for the St. John's, Gander, and Stephenville airports. NP's regional customer counts shall be used to weight regional weather data. Hydro shall consult with NP to resolve any circumstances arising the availability of, or revisions to, Environment Canada's weather data and/or wind chill formulation.
- (e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding 19 hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition on underlying weather data.
- (f) Subject to the availability of Environment Canada weather data, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of Weather-Adjusted Native Load by April 5th of each year.

General:

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

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach mutual agreement, the billing will be based on Hydro's best estimate.