

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 19(2014)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”) and regulations thereunder; and
5

6 **IN THE MATTER OF** an application by
7 Newfoundland and Labrador Hydro for
8 approval, pursuant to Section 70 of the *Act*,
9 of the Rate Stabilization Plan Adjustment in the
10 rates to be charged to Newfoundland Power Inc.
11
12

13 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
14 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
15 and is also subject to the provisions of the *EPCA*; and
16

17 **WHEREAS** on April 14, 2014 Hydro provided written notice to the Board, Newfoundland
18 Power Inc. (“Newfoundland Power”), the Consumer Advocate, the Island Industrial Customers:
19 Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited and Teck Resources
20 Limited (“Industrial Customer Group”), Vale Newfoundland & Labrador Limited (“Vale”) and
21 Praxair Canada Inc. (“Praxair”) that it would delay its filing of the Rate Stabilization Plan fuel
22 price projection pending the Board’s ruling on its interim rate application; and
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24 **WHEREAS** on April 25, 2014 the Board issued Order No. P.U. 13(2014) dismissing Hydro’s
25 Interim Rate Application; and
26

27 **WHEREAS** on May 1, 2014 in accordance with Order No. P.U. 40(2003), Hydro provided
28 written notice to the Board, Newfoundland Power, the Consumer Advocate, the Industrial
29 Customer Group, Vale and Praxair as to the forecast fuel price change, the resulting fuel rider,
30 and the Rate Stabilization Plan adjustment to be applied to Newfoundland Power rates, effective
31 July 1, 2014; and
32

33 **WHEREAS** on May 1, 2014 Hydro also filed an application (the “Application”) with supporting
34 information seeking approval of the Rate Stabilization Plan adjustment in the rates to be charged
35 to Newfoundland Power; and

1 **WHEREAS** the Board requested comments on the Application be submitted to the Board by
2 May 12, 2014; and

3
4 **WHEREAS** on May 12, 2014 Newfoundland Power advised that it did not have comments on
5 the Application; and

6
7 **WHEREAS** the Consumer Advocate, the Industrial Customer Group, Vale and Praxair did not
8 provide comments in relation to the Application; and

9
10 **WHEREAS** Order No. P.U. 40(2003) set out the manner by which the Rate Stabilization Plan is
11 calculated and applied to the rates charged by Hydro to Newfoundland Power and to the Island
12 Industrial Customers; and

13
14 **WHEREAS** the Board's financial consultant, Grant Thornton, reviewed the Application and
15 reported that the calculations were based on a monthly price forecast for 2015 instead of an
16 annual long-term forecast which is a departure from the RSP rules; and

17
18 **WHEREAS** on May 28, 2014 Hydro applied to the Board for approval of an amendment to the
19 RSP rules to allow the monthly forecast to be used in the calculation; and

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21 **WHEREAS** Order No. P.U. 18(2014) approved, on an interim basis, the amendment to the RSP
22 rules to be effective as of June 11, 2014; and

23
24 **WHEREAS** the Board has considered the Application and the information and calculations
25 contained therein and is satisfied that the proposed Current Plan amount and the Fuel Rider and
26 the Rate Stabilization Plan adjustment to be applied to the rates to be charged by Hydro to
27 Newfoundland Power are in accordance with the methodology of the interim Rate Stabilization
28 Plan approved by the Board.

29
30 **IT IS THEREFORE ORDERED THAT:**

- 31
32 1. The rates to be charged by Hydro to Newfoundland Power, as set out in Schedule "A" to
33 this Order, to be effective for electrical consumption on or after July 1, 2014, are
34 approved on an interim basis.
35
36 2. Hydro shall pay the expenses of the Board incurred in connection with this matter.

DATED at St. John's, Newfoundland and Labrador, this 11th day of June 2014.

Andy Wells
Chair and Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B.
Commissioner

James Oxford
Commissioner

Cheryl Blundon
Board Secretary

NEWFOUNDLAND AND LABRADOR HYDRO

UTILITY (INTERIM)

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	80,104
Thermal Generation Credit	<u>37,826</u>
Total Generation Credit	117,930

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.

"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.

Monthly Rates:

Billing Demand Charge:

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

\$4.00 per kW of billing demand

Energy Charge:

First 250,000,000 kilowatt-hours*@ 3.246 ¢ per kWh
All excess kilowatt-hours*@ 8.805 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by
Corner Brook Pulp and Paper Limited*@ 0.841 ¢ per kWh

RSP Adjustment:

Current Plan@ (0.551) ¢ per kWh
Fuel Rider@ 1.526 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours @ 0.975 ¢ 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.

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 NP native peak demand 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 weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weight regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, weather data from Environment Canada 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 seven 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 weather data from Environment Canada, 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.